

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

**FOR THE YEAR ENDED 31 MARCH 2007**

**GOVERNMENT OF KARNATAKA**



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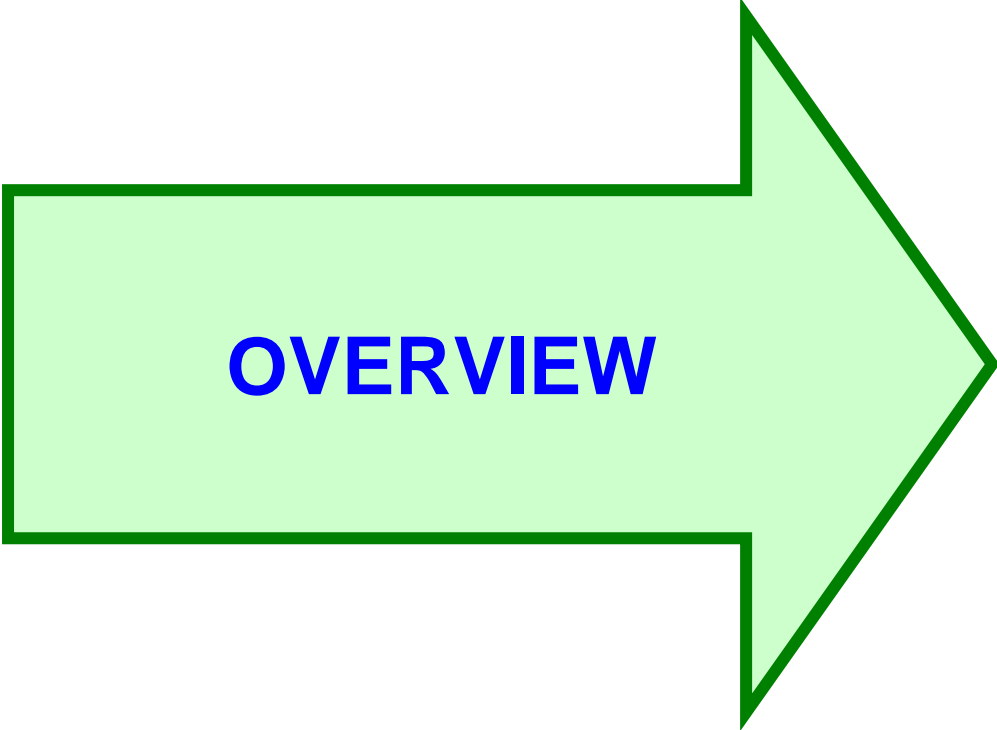
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## PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.
2. Chapters I and II of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2007.
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 2006-07 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 2006-07 have also been included, wherever necessary.





**OVERVIEW**



## **OVERVIEW**

This report includes two chapters containing observations on Finance and Appropriation Accounts of the Government of Karnataka for the year 2006-07 and three chapters comprising nine reviews/long paragraphs and 25 paragraphs dealing with the results of performance audit of selected programmes, internal control system in Government departments as well as audit of the financial transactions of the Government.

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

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

### **1. Financial position of the State Government**

The State's revenue receipts during 2006-07 grew by 24 *per cent* over the previous year as against 19 *per cent* growth of revenue expenditure, resulting in increase of revenue surplus by Rs.1,841 crore from Rs.2,311 crore in 2005-06 to Rs.4,152 crore in 2006-07. Fiscal deficit increased by Rs.1,001 crore from Rs.3,687 crore to Rs.4,688 crore due to increase in capital expenditure (including loans and advances) and reduction in non-debt capital receipts.

As at the end of 2006-07, total investment of the State Government in Government companies, statutory corporations etc., was Rs.18,699 crore but the returns (Rs.20 crore) were negligible.

Outstanding liabilities of the State increased from Rs.32,566 crore in 2001-02 to Rs.57,682 crore in 2006-07 and their ratio to GSDP was 30 *per cent* during the current year. The amount guaranteed by the State Government on behalf of statutory corporations, Government companies, etc and outstanding as of March, 2007 was Rs.9,879 crore.

**(Paragraphs 1.1.2, 1.6.2, 1.7.1 and 1.7.2)**

Against total budget provision of Rs.52,492.16 crore including (supplementary grants), actual expenditure was Rs.44,669.03 crore. Overall unspent provision of Rs.7,823.13 crore was the result of unspent provision of Rs.8,306.58 crore in 29 grants/appropriations and excess expenditure of Rs.483.45 crore in five grants/appropriations. The excess expenditure of Rs.483.45 crore during the year required regularisation by the Legislature under Article 205 of the Constitution of India.

**(Paragraphs 2.2 and 2.4)**

## **2. Modernisation of State Police Force**

Modernisation of State Police Force Scheme approved by Government of India as a Centrally assisted scheme aimed at providing additional infrastructure to improve the efficiency of the State police forces. The utilisation of funds provided for the modernisation of state police force was not efficient due to release of funds by GOI at the fag end of the year and procedural delays. The construction of residential and non-residential buildings was delayed. The communication and computerisation projects taken up under the scheme could not be completed due to lack of coordination with the executing agencies and inadequate monitoring by the Department. Equipment costing Rs.2.96 crore were lying idle for want of consumables, trained manpower, or were not required for immediate use. The vacancies in various cadres ranged between 25 to 100 *per cent*. Procurement of modern weapons without training the police personnel in their usage left the department under-prepared for eventualities. Lack of trained manpower in Forensic Science Laboratories and Fingerprint Bureaux impeded the pace of gathering foolproof evidence.

(Paragraph: 3.1)

## **3. Implementation of Urban Poverty Alleviation and Town Development Schemes by Director of Municipal Administration**

The Directorate of Municipal Administration (DMA) was set up in February 1984 as the nodal authority for the Urban Local Bodies (ULBs) in the State and was responsible for supervising and coordinating the implementation of the poverty alleviation and town development schemes by these local bodies. Retention of funds and delay in release of grants by the DMA, irregular diversions and non-mobilisation of funds by the ULBs coupled with improper survey of the scheme beneficiaries and lack of comprehensive town development plans slowed down the pace of scheme implementation. Non-observance of the prescribed rules and procedure led to irregular payment of advances to subordinate officials and their non-adjustment over long periods besides non-maintenance of basic records in the ULBs. While the number of vacancies was 45 *per cent* of the sanctioned strength in the ULBs, many ULBs did not optimally use the available human resources for effective implementation of the schemes. Lack of monitoring of scheme implementation by the DMA led to denial of intended benefits to the targeted beneficiaries, idle investments and cost and time overruns. Quality control measures were non-existent.

(Paragraph: 3.2)

## **4. IT systems of Bangalore Water Supply and Sewerage Board**

The Bangalore Water Supply and Sewerage Board is responsible for providing water supply and sewerage system and sewerage disposal in Bangalore Metropolitan Area. The Board had implemented two major computerisation packages. A Geographical information System (GIS) was implemented to digitise details of water supply and sewerage systems and a billing software

package to handle revenue of over Rs. 300 crore annually. As the GIS database created was incomplete and unreliable, the Board could not achieve the intended objective of digitisation of GIS data. Inadequate IT controls in planning and maintenance of data in revenue billing had resulted in sub optimal realisation of objectives of computerisation.

(Paragraph: 3.3)

## **5. Computerisation of Land Records in Karnataka – BHOOMI**

‘Bhoomi’ was implemented with the objective of digitisation of spatial data, as also creation of a land information system to facilitate issue of accurate record of rights by updating changes like transfer of ownership, creation of irrigation facilities, natural calamities etc., for effective revenue administration, land reforms and development planning at grassroot level. While digitisation of spatial data was yet to be completed, the project implemented with incomplete original records and inadequate Information Technology controls did not aid issue of accurate record of rights and other objectives such as planning at grassroot level etc. Inadequate physical and logical access controls were noticed which exposed the system to the risk of unauthorised access. Further, lack of adequate controls to ensure proper data backup and emergency responses were also noticed.

(Paragraph: 3.4)

## **6. Afforestation programme including compensatory afforestation**

Afforestation was taken up in the State under various State and Centrally sponsored schemes and also externally funded projects. The Government had not formulated any forest policy for sustainable management of forests. The targets set in Annual Plans of Operations for afforestation were quite lower than those planned in the Working Plans due to insufficient budget allocations. Afforestation was adversely affected due to absence of quality checks on seeds procured, raising and planting of seedlings in deviation of ‘package of practices’/norms and planting exotic species without site specific plans. Inventory of plantations was not maintained in all the test-checked divisions. Plantation journals were maintained, did not record the survival rate beyond the planting year. Ineffective monitoring and non-utilisation of compensatory afforestation funds also affected the implementation of the scheme.

(Paragraph: 3.5)

## **7. Evaluation of Internal Control System**

Internal controls are an integral component of the management processes of an organisation which are established to provide reasonable assurance that the operations are carried out efficiently and effectively, financial reports and operational data are reliable and the applicable laws and regulations are complied with so as to achieve the objectives of the organisation. Evaluation of the internal control system in the Department of Printing, Stationery and Publications disclosed that budgetary controls were not effective as there were instances of diversion of funds to incur expenditure on unauthorised works. The Department did not prepare *pro-forma* accounts to know the financial



performance of its operations. Production controls were also ineffective resulting in printing of excess forms, issue of excess quantity of paper, reprinting of textbooks and discarding excess printed material leading to large scale wastage of raw material and labour. The manpower and monitoring controls and Internal Audit arrangements were also wanting in the Department.

(Paragraph: 5.1)

## **8. Grant-in-Aid for Technical Education**

Government framed (October 1966) Grant-in-Aid Code for Technical Education Department (Code) to encourage private enterprises in technical education. The Director of Technical Education did not ensure that the *ad hoc* grants released to the grantee institutions was limited to only 85 per cent of the approved maintenance expenditure and that the grantee institutions remitted 50 per cent of the fees collected by them to the Government resulting in accumulation of excess grants with the institutions. No mechanism was also devised to watch their expeditious recovery/adjustment.

(Paragraph: 3.6)

## **9. Administration of Calamity Relief Fund**

The Government of India (GOI), based on the recommendations of the Ninth Finance Commission approved (January 1991) the Calamity Relief Fund (CRF) Scheme to provide immediate relief to the victims of cyclone, drought, earthquake, fire, flood, hailstorm, *etc.* The administration of CRF was not effective as the funds were not invested in Government securities. Further, funds were released to the Deputy Commissioners and Implementing Officers in excess of their requirements leading to accumulation of unspent balances with them. Non-maintenance of cash books, non-reconciliation of expenditure with the bank/treasuries and non-submission of utilisation certificates for over Rs.300 crore together with large scale diversion of funds indicated poor monitoring of the scheme by the State Level Committee.

(Paragraph: 3.7)

## **10. Working of the Karnataka Residential Educational Institutions Society**

The Karnataka Residential Educational Institutions Society, (Society) was established (October 1999) by the Government for management of the residential schools of the Department of Social Welfare, Backward Classes and Minorities. The Society was mainly engaged in construction of residential schools and hostel buildings and releasing maintenance grants to schools resulting in non-realisation of the objective of providing better administration of residential schools. Release of funds by Government without ensuring the availability of proper infrastructure and technical expertise with the Society and their ability to fully utilise the funds resulted in accumulation of funds with the Society. The inept financial management by the Society resulted in avoidable payment of recurring interest on loan despite availability of surplus funds.

(Paragraph: 3.8)

## **11. Audit of Transactions**

### **Fraudulent drawal/ Misappropriation/Loss of Government money**

- The Director of Printing, Stationery and Publications fraudulently withdrew Rs.1.67 crore from the treasury on the basis of fabricated documents and by subverting the prescribed rules and procedure.

**(Paragraph: 4.1.1)**

- Failure of the Director of Printing, Stationery and Publications to assess the actual requirement of paper for printing 2.06 crore copies of school text books resulted in issue of excess quantity (5,461.04 metric tones) of paper valued at Rs.17.09 crore and its suspected misappropriation. Besides, there was inordinate delay in supply of the text books to the schools.

**(Paragraph: 4.1.2)**

### **Infructuous/Wasteful expenditure/Overpayment**

- The Divisional Offices of the Public Works Department made payments on loose quantities of metal instead of the compacted quantities resulting in excess payment of Rs.4.54 crore in respect of 1,444 road works.

**(Paragraph: 4.2.3)**

- Despite increasing the slope of a tank work at Arjanal village of Indi taluk in Bijapur district which increased its cost by Rs.4.64 crore, the tank could not be made viable and functional due to non-availability of command area rendering the expenditure of Rs.9.45 crore on the work wasteful.

**(Paragraph: 4.2.4)**

- The erroneous designing and estimation of a water supply scheme to Sravanabelagola village in Hassan District by the Karnataka Urban Water Supply and Drainage Board to provide a separate pipeline to a nearby milk powder plant resulted in a wasteful expenditure of Rs.83.29 lakh. Further, there was an avoidable expenditure of Rs.34.52 lakh on procurement of pipes for the scheme.

**(Paragraph: 4.2.5)**

- The injudicious action of the Karnataka Urban Water Supply and Drainage Board to make payments for earthwork excavation and construction of embankment for an impounding reservoir at Navalgund town in Dharwad district at higher rates resulted in excess payment of Rs.1.32 crore to the contractor.

**(Paragraph: 4.2.6)**

### **Avoidable/extra/unfruitful expenditure**

- Failure of the Executive Engineer, National Highways Division, Hubli to deposit 50 *per cent* of the enhanced compensation in the lower court, as directed by the High Court, resulted in dismissal of appeal of the Department and payment of enhanced compensation of Rs.6.04 crore including avoidable interest of Rs.61 lakh.

**(Paragraph: 4.3.2)**

- The injudicious action of the Bangalore Development Authority to fill the low lying sites with earth from borrow areas despite availability of loose earth at site in Sir M.Vishweshwaraiah Layout in Bangalore South and North taluks resulted in an avoidable expenditure of Rs.68.54 lakh.

**(Paragraph: 4.3.4)**

- Delay in issue and finalisation of tenders, non-inclusion of appropriate cloud seeding technique in the agreement and lapses in providing infrastructural and technical support by Water Resources Development Organisation (WRDO), Bangalore adversely affected the cloud seeding operation for augmenting rainfall during south-west monsoon rendering the expenditure of Rs.9.37 crore largely unfruitful.

**(Paragraph: 4.3.5)**

- Execution of the work without acquiring the required land by the Water Resource Department resulted in an unfruitful expenditure of Rs.1.21 crore on the construction of the irrigation tank at Buddini village, Lingasugur taluk of Raichur district.

**(Paragraph: 4.3.6)**

#### **Idle investment/Idle establishment/Blockage of funds**

- The injudicious decision of the Karnataka Industrial Area Development Board to buy a land not suitable for setting up the Export Promotion Industrial Park at Mangalore and pay the project funds to an agency to commission a water supply scheme even before acquiring the land resulted in locking up of Government funds of Rs.5.42 crore.

**(Paragraph: 4.4.1)**

#### **Regularity issues and other points**

- Excess payment of family pension of Rs.1.41 crore was made by Public Sector Banks beyond the indicated period in 576 cases relating to 27 district treasuries.

**(Paragraph: 4.5.1)**

- Failure of the Government to ascertain the exact amount of bills pending settlement in the Food and Civil Supplies Department resulted in release of surplus funds and consequent diversion of Rs.1.67 crore.

**(Paragraph: 4.5.2)**

- The Director of Scheduled Tribe Welfare drew funds from the treasury to avoid their lapse at the end of the financial year which resulted in huge deposit of Rs.12.81 crore in a bank in contravention of the prescribed rules and procedure.

**(Paragraph: 4.5.3)**





**CHAPTER I**

**FINANCES OF THE STATE  
GOVERNMENT**



## CHAPTER I

### FINANCES OF THE STATE GOVERNMENT

#### 1.1 Introduction

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

##### 1.1.1 Summary of receipts and disbursements

Table 1 below summarises the finances of the Government of Karnataka for the year 2006-07 as compared to the previous year, covering revenue receipts and expenditure, capital receipts and expenditure, contingency fund transactions and public account receipts/disbursements as emerging from statement-1 and other detailed statements of Finance Accounts.

**Table 1: Summary of receipts and disbursements**

(Rupees in crore)

2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
					Non-Plan	Plan	Total
<b>Section-A: Revenue</b>							
<b>30,352.05</b>	<b>Revenue receipts</b>	<b>37,586.94</b>	<b>28,040.89</b>	<b>Revenue expenditure</b>	<b>25,582.89</b>	<b>7,852.54</b>	<b>33,435.43</b>
18,631.55	Tax revenue	23,301.03	10,035.82	General services	10,343.20	76.22	10,419.42
3,874.71	Non-tax revenue	4,098.41	8,898.79	Social services	6,728.55	4,208.16	10,936.71
4,213.42	State's share of Union taxes and duties	5,374.33	7,947.32	Economic services	6,901.58	3,538.66	10,440.24
3,632.37	Grants from GOI	4,813.17	1,158.96	Grants-in-aid/Contributions	1,609.56	29.50	1,639.06
<b>Section-B: Capital and others</b>							
---	Misc. capital receipts	---	5,821.93	Capital outlay	131.79	8,410.78	8,542.57
			217.92	General services	---	320.94	320.94
			1,105.30	Social services	0.79	1,291.83	1,292.62
			4,498.71	Economic services	131.00	6,798.01	6,929.01
123.55	Recoveries of loans and advances	59.97	299.60	Loans and advances disbursements	51.12	306.11	357.23
5,663.55	Public debt receipts	3,545.94	810.86	Repayment of public debt	1,749.37		1,749.37
38.91	Contingency fund (recoupment)	--		Contingency fund			13.28
38,025.00	Public account receipts	47,040.04	36,702.25	Public account disbursements			42,636.88
2,079.11	Opening cash balance	4,606.64	4,606.64	Closing cash balance			6,104.77
<b>76,282.17</b>	<b>Total</b>	<b>92,839.53</b>	<b>76,282.17</b>	<b>Total</b>	<b>27,515.17</b>	<b>16,569.43</b>	<b>92,839.53</b>

Following are the changes in receipts and disbursements during 2006-07 over the previous year:

- Revenue receipts grew by Rs.7,235 crore due to rise in tax revenue (Rs.4,669 crore), grants from GOI (Rs.1,181 crore) and State's share of union taxes and duties (Rs.1,161 crore) and non-tax revenue (Rs.224 crore).

- Revenue expenditure increased by Rs.5,394 crore. Increase was mainly under social services sector (Rs.2,038 crore) and economic services sector (Rs.2,493 crore).
- Capital outlay was more by Rs.2,721 crore. Significant enhanced outlay was under economic services sector (Rs.2,430 crore).
- Public debt receipts decreased by Rs.2,118 crore mainly due to reduction in internal debt receipts (Rs.2,103 crore), while the repayments were more by Rs.939 crore.
- Recovery of loans and advances was less by Rs.64 crore, while the disbursements were more by Rs.57 crore.
- Public account receipts and disbursements increased by Rs.9,015 crore and Rs.5,935 crore respectively.
- Cash balance of the State Government increased by Rs.1,498 crore.

### 1.1.2 Fiscal position by key indicators

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

**Table : 2**

(Rupees in crore)

2005-06	Serial number	Major aggregates	2006-07
<b>30,352</b>	<b>1</b>	<b>Revenue receipts (2+3+4)</b>	<b>37,587</b>
18,632	2	Tax revenue	23,301
3,875	3	Non-tax revenue	4,099
7,845	4	Other receipts	10,187
<b>124</b>	<b>5</b>	<b>Non-debt capital receipts</b>	<b>60</b>
		Loans and advances recovered	
<b>30,476</b>	<b>6</b>	<b>Total receipts (1+5)</b>	<b>37,647</b>
<b>23,032</b>	<b>7</b>	<b>Non-plan expenditure (8+10+11)</b>	<b>25,766</b>
22,972	8	on Revenue account	25,583
3,765	9	Interest payments	4,236
16	10	on Capital account	132
44	11	Loans and advances disbursed	51
<b>11,131</b>	<b>12</b>	<b>Plan expenditure (13+14+15)</b>	<b>16,569</b>
5,069	13	on Revenue account	7,852
5,806	14	on Capital account	8,411
256	15	Loans and Advances disbursed	306
<b>34,163</b>	<b>16</b>	<b>Total expenditure (7+12)</b>	<b>42,335</b>
<b>- 3,687</b>	<b>17</b>	<b>Fiscal deficit [(1+5) – 16]</b>	<b>- 4,688</b>
<b>2,311</b>	<b>18</b>	<b>Revenue surplus [1-(8+13)]</b>	<b>4,152</b>
<b>78</b>	<b>19</b>	<b>Primary deficit (-) (6-16+9)/ Primary surplus (9-17)</b>	<b>-452</b>

During 2006-07, revenue receipts grew by Rs.7,235 crore (24 per cent) as against the increase in revenue expenditure by Rs.5,394 crore (19 per cent) resulting in increase of surplus on revenue account. Given the increase of Rs.1,841 crore in revenue surplus, growth of Rs.2,778 crore in capital expenditure (including loans and advances) and reduction of Rs.64 crore in non-debt capital receipts, resulted in increase of fiscal deficit by Rs.1,001 crore. The increase in fiscal deficit along with an increase of Rs 471 crore in

interest payments turned the primary surplus of Rs 78 crore in 2005-06 to a deficit of Rs 452 crore in 2006-07.

## 1.2 Methodology adopted for the assessment of fiscal position

The trends in the major fiscal aggregates of receipts and expenditure as emerged from the statements of Finance Accounts were analysed over the period from 2001-02 to 2006-07. The norms/ceilings prescribed by the Twelfth Finance Commission (TFC) as well as its projections and projections made by the State Government in their Fiscal Responsibility Act and in other statements required to be laid before legislature under the Act are used to make assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP)<sup>1</sup> as published by the Director of Economics and Statistics, Government of Karnataka (table 3) is the good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. For revenue receipts, revenue expenditure, etc., buoyancy projections are provided to estimate the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) trends in aggregate receipts, (ii) application of resources (iii) assets and liabilities and (iv) management of deficits. Observations made also take into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. In addition, selected indicators of financial performance of the Government are listed in this section; some of the terms used in this context are explained in **Appendix 1.1-Part C**. Summarised financial position of the State Government as on 31 March 2007, abstract of receipts and disbursement for the year 2006-07, sources and application of funds and the time series data on State Government finances are given in **Appendices 1.2 to 1.5**.

**Table 3: Growth of GSDP**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
GSDP (Rupees in crore)	107,933	117,492	128,556	148,541	170,741 <sup>φ</sup>	194,009 <sup>μ</sup>
Rate of growth ( <i>per cent</i> )	4.8	8.9	9.4	15.5	14.9	13.6

<sup>φ</sup> quick estimates, <sup>μ</sup> anticipated estimates

### 1.2.1 Fiscal reforms path in Karnataka

In Karnataka, fiscal reforms and consolidation were brought to the forefront with the State Government formulating the first Medium Term Fiscal Plan (MTFP) for the period 2000-01 to 2004-05 based on broad parameters of fiscal correction laid down by the Eleventh Finance Commission (EFC). MTFP

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



became a rolling annual document to report on the actual performance of the State against fiscal targets of the previous year and to put in place a multi-year medium term reform framework dovetailed to the budgetary exercise.

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

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

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

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

### ***1.2.2 Fiscal policy statements 2006-07***

The State Government has laid the MTFP for the period 2006-10 before the State Legislature along with the annual budget for the 2006-07, which *inter alia* contained:

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

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

Keeping in view the fiscal targets laid down in the Act, the anticipated annual rate of reduction of fiscal deficit of the States worked out by the Government of India for the TFC award period, the State Government has developed its own Fiscal Correction Path (FCP) indicating the milestones of outcome indicators with target dates of implementation during the period from 2004-05 to 2008-09 (**Appendix 1.6**). The State's MTFP (2006-10) presented along with budget for 2006-07 contained budget estimates of outcome indicators. The variations between FCP and MTFP regarding significant indicators for the year 2006-07 were as given in the table below:

**Table 4**

(Rupees in crore)

Outcome indicator	FCP projection	Budget estimates (MTFP)
Revenue receipts	32,471	35,875
Revenue expenditure	31,083	34,341
Expenditure on capital account	4,316	5,088
Revenue surplus	1,388	1,535
Fiscal deficit	5,603	5,211

The State achieved the fiscal targets laid down in the Act one year ahead, with the year 2004-05 ending in revenue surplus (Rs.1,638 crore) and fiscal deficit for the year (Rs.3,600 crore) at less than three *per cent* of GSDP. The revenue surplus increased to Rs.2,311 crore and Rs.4,152 crore for the years 2005-06 and 2006-07 respectively. The fiscal deficits for the years 2005-06 (Rs.3,687 crore) and 2006-07 (Rs.4,688 crore) were also below three *per cent* of GSDP. Outstanding guarantees given by the Government (Rs.9,879 crore) were within the prescribed limit of 80 *per cent* of the State's revenue receipts of the second preceding year. The ratio of fiscal liabilities to GSDP continued to decline from 2004-05 and was around 30 *per cent* in 2006-07. As a result, the State got the full benefit of incentive grants of Rs.286 crore for the EFC award period. Under GOI's scheme of States' Debt Consolidation and Relief Facility (DCRF)<sup>2</sup>, the State got the benefit of interest relief of Rs.568 crore for the years 2005-06 (Rs.292 crore) and 2006-07 (Rs.276 crore) along with waiver of GOI loan of Rs.716 crore.

### 1.2.4 Mid-term review of fiscal situation

According to the half-yearly review report for the current year placed before the State Legislature in compliance to the provisions of the Act, realisation of revenues upto end of September 2006 was on target. Revenue receipts at the year end exceeded the budget estimates. Revenue expenditure was less than the budgeted amount. Capital expenditure however, was more than the budget estimates.

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

### 1.3 Trends and composition of aggregate receipts

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

Sources of receipts under different heads and GSDP during 2001-07 are indicated in table 5.

**Table 5: Trends in growth and composition of aggregate receipts**

(Rupees in crore)

Sources of State's receipts	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>I. Revenue receipts</b>	<b>15,321</b>	<b>16,169</b>	<b>20,760</b>	<b>26,570</b>	<b>30,352</b>	<b>37,587</b>
<b>II. Capital receipts</b>	<b>5,181</b>	<b>6,361</b>	<b>8,052</b>	<b>8,556</b>	<b>5,788</b>	<b>3,606</b>
Recovery of loans and advances	35	928	64	47	124	60
Public debt receipts	5,146	5,433	7,988	8,509	5,664	3,546
Miscellaneous capital receipts	Nil	Nil	Nil	Nil	Nil	Nil
<b>III. Contingency fund</b>	<b>54</b>	<b>8</b>	<b>0</b>	<b>41</b>	<b>39</b>	<b>0</b>
<b>IV. Public account receipts</b>	<b>28,502</b>	<b>27,879</b>	<b>30,513</b>	<b>36,325</b>	<b>38,025</b>	<b>47,040</b>
a. Small savings, Provident fund etc.	1,286	1,399	1,422	1,521	1,651	1,748
b. Reserve fund	233	338	396	570	1,289	1,656
c. Deposits and advances	14,150	13,428	14,686	17,211	15,926	19,073
d. Suspense and miscellaneous	10,755	10,606	11,308	14,390	16,393	20,772
e. Remittances	2,078	2,108	2,701	2,633	2,767	3,791
<b>Total receipts</b>	<b>49,058</b>	<b>50,417</b>	<b>59,325</b>	<b>71,492</b>	<b>74,204</b>	<b>88,233</b>

Total receipts increased by 80 per cent from Rs.49,058 crore in 2001-02 to Rs.88,233 crore in 2006-07, of which increase of revenue receipts was by 145 per cent from Rs.15,321 crore to Rs.37,587 crore. While non debt receipts increased by 71 per cent from Rs.35 crore in 2001-02 to Rs.60 crore in 2006-07, public account receipts increased by 65 per cent from Rs.28,502 crore to Rs.47,040 crore during the period. Public debt receipts, which create future repayment obligations, decreased from Rs.5,146 crore to Rs.3,546 crore, indicating the improvement fiscal position of the State.

#### 1.3.1 Revenue receipts

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

**Table 6 : Revenue receipts – Basic parameters**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Revenue receipts (RR)</b>	<b>15,321</b>	<b>16,169</b>	<b>20,760</b>	<b>26,570</b>	<b>30,352</b>	<b>37,587</b>
State's own taxes	9,853 (64)	10,440(65)	12,570 (61)	16,072(60)	18,632(61)	23,301(62)
Non-tax revenue	1,094 ( 7)	1,278 ( 8)	2,958 (14)	4,473(17)	3,875(13)	4,099(11)
Central tax transfers	2,623 (17)	2,786 (17)	3,245 (15)	3,878(15)	4,213(14)	5,374(14)
Grants-in-aid	1,751 (12)	1,665 (10)	1,987 (10)	2,147( 8)	3,632(12)	4,813(13)
<b>Rate of growth of RR (<i>per cent</i>)</b>	<b>3.4</b>	<b>5.5</b>	<b>28.4</b>	<b>27.9</b>	<b>14.2</b>	<b>23.8</b>
<b>RR-GSDP (<i>per cent</i>)</b>	<b>14.2</b>	<b>13.8</b>	<b>16.1</b>	<b>17.9</b>	<b>17.8</b>	<b>19.4</b>
<b>Revenue buoyancy w.r.t GSDP (ratio)</b>	<b>0.7</b>	<b>0.6</b>	<b>3.0</b>	<b>1.8</b>	<b>1.0</b>	<b>1.7</b>
<b>State's own taxes buoyancy w.r.t GSDP (ratio)</b>	<b>1.9</b>	<b>0.7</b>	<b>2.2</b>	<b>1.8</b>	<b>1.1</b>	<b>1.8</b>
<b>Revenue buoyancy w.r.t State's own taxes (ratio)</b>	<b>0.4</b>	<b>0.9</b>	<b>1.4</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>
<b>GSDP growth (<i>per cent</i>)</b>	<b>4.8</b>	<b>8.9</b>	<b>9.4</b>	<b>15.5</b>	<b>14.9</b>	<b>13.6</b>

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

Revenue receipts showed progressive increase from Rs.15,321 crore in 2001-02 to Rs.37,587 crore in 2006-07. On an average 74 *per cent* of the revenue came from State's own resources. The balance was from transfers from GOI in the form of State's share of Union taxes and grants-in-aid.

Significant increase in revenue receipts by Rs.7,235 crore during 2006-07, the highest during the five year period was mainly due to rise in tax revenue (Rs.4,669 crore), grants from GOI (Rs.1,181 crore) and State's share of union taxes and duties (Rs.1,161 crore).

### ***Tax revenue***

Taxes on sales, trade etc., was the major source of State's own tax revenue which contributed 50 *per cent* followed by state excise (19 *per cent*), stamps and registration fees (14 *per cent*) and taxes on vehicles (6 *per cent*).

The table 7 below shows the trend of major constituents of tax revenue during 2001-07

**Table 7 : Tax revenue**

(Rupees in crore)

<b>Tax revenue</b>	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Taxes on sales, trade, etc.	5,269	5,474	6,649	8,700	9,870	11,762
<i>Rate of growth</i>	-2.2	3.89	21.47	30.85	13.45	19.17
State excise	1,977	2,094	2,334	2,806	3,397	4,495
<i>Rate of growth</i>	29.8	5.92	11.46	20.22	21.06	32.32
Stamps and registration fees	855	1,115	1,356	1,760	2,213	3,206
<i>Rate of growth</i>	34.0	30.41	21.61	29.79	25.74	44.87
Taxes on vehicles	712	676	800	983	1,105	1,374
<i>Rate of growth</i>	41.8	-5.06	18.34	22.88	12.41	24.34

Taxes on sales, trade etc., witnessed steep fall in rate of growth in 2005-06 due to reduction of effective rate of taxation with the introduction of Value Added Tax (VAT) from 01.04.2005. The State received VAT loss compensation of Rs.1,272 crore as non-plan grant for 2005-06 and a part compensation of Rs.392 crore for 2006-07 as non-plan grant from GOI. According to MTFP (2007-11), the improvement in growth rate in 2006-07 was due to general boom in the economy and increase in collection on account of lower base effect. The policy of canalisation of Indian made liquor and tracking of rectified spirit contributed to rise in revenue under State excise. The unexpected growth under housing sector in last few years was the reason for growth of revenue under stamps and registration. Reforms targeted towards improvement of tax base of transport sector and greater compliance by transport utilities with respect to tax dues contributed to higher growth rate of taxes on vehicles.

### **Non-tax revenue**

Non-tax revenue of Rs.4,099 crore in 2006-07 included the debt relief of Rs.358 crore the State got under the scheme of DCRF for the year 2005-06. The share of non-tax revenue in the total revenue receipts declined from 17 per cent in 2004-05 to 11 per cent in 2006-07. The State Government stated in the MTFP that the condition and quality of public services made the task of making any appreciable changes in user charges difficult as a result of which user charges are yet to be rationalised.

The actual state's own revenue receipts vis-à-vis assessment made by TFC and projections in fiscal correction path are given below:

**Table 8**

(Rupees in crore)

	As per		Actual
	TFC assessment	FCP	
Tax revenue	20,348.83	20,865	23,301
Non-tax revenue	2,641.61	4,516	4,099

Actual tax revenue exceeded the TFC assessment as well as the projections in FCP. Non tax revenue realised exceeded the TFC assessment but fell short of FCP projection.

### **Grants-in-aid from GOI**

Grants-in-aid from GOI increased from Rs.1,751 crore in 2001-02 to Rs.4,813 crore in 2006-07 as detailed in the table below:

**Table 9 : Grant-in-aid from GOI**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Non-plan schemes	213	421	530	263	1,736	2,224
State plan schemes	733	570	796	1,089	915	1,284
Central plan schemes	152	45	42	46	37	43
Centrally sponsored plan schemes	653	629	619	749	944	1,262
<b>Total</b>	<b>1,751</b>	<b>1,665</b>	<b>1,987</b>	<b>2,147</b>	<b>3,632</b>	<b>4,813</b>

Increase of non-plan grants by Rs.488 crore over the previous year was due to TFC award for specific purposes viz., roads and bridges (Rs.365 crore), other administrative services (Rs.105 crore). Increase was also under State plan schemes (Rs.369 crore) and Centrally sponsored schemes (Rs.318 crore).

Plan grants of Rs.26.24 crore were released to Karnataka Police Housing Corporation (Rs.16.27 crore), Director of Municipal Administration (Rs.7.08 crore) and National Information Centre (Rs.2.89 crore) without routing through the Consolidated Fund of the State.

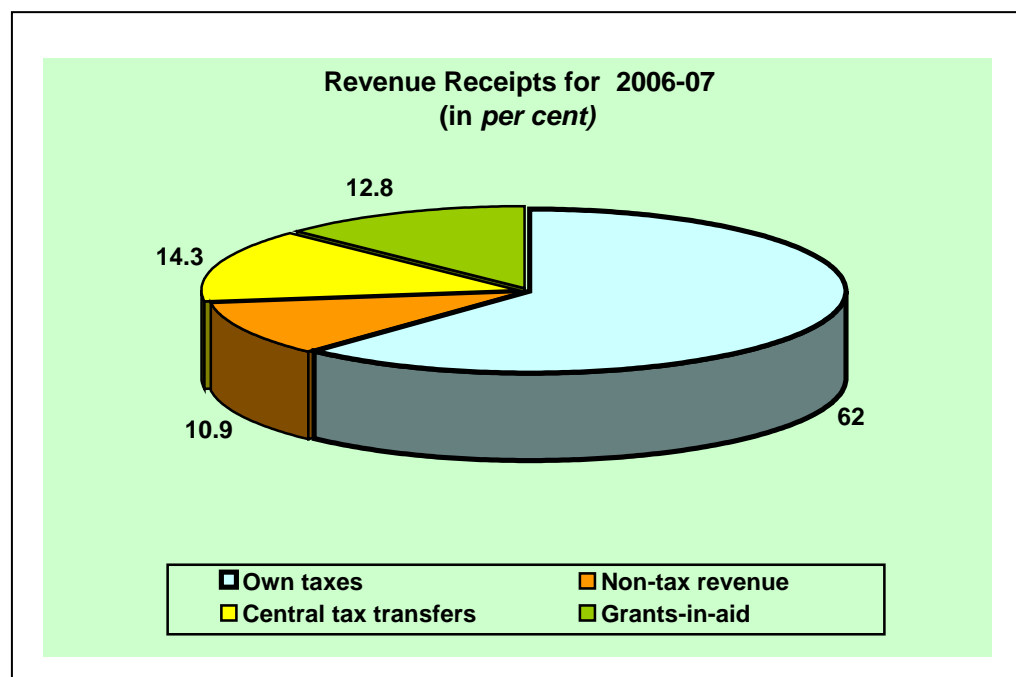
### *Central tax transfers*

Devolution of taxes from GOI increased on account of improved buoyancy on GOI taxes. Increase of state's share of union taxes from Rs.4,213 crore in 2005-06 to Rs.5,374 crore in 2006-07 was mainly under corporation tax (Rs.514 crore), customs (Rs.227 crore) and service tax (Rs.204 crore)

### *Arrears of revenue*

Arrears of revenue increased by 91 *per cent* from Rs.2,634 crore in 2001-02 to Rs.5,026 crore to end of 2006-07. Arrears in respect of state excise amounting to Rs.654 crore were outstanding for more than five years.

**Composition of revenue receipts during 2006-07 is indicated graphically below:**



## 1.4 Application of resources

### 1.4.1 Growth of expenditure

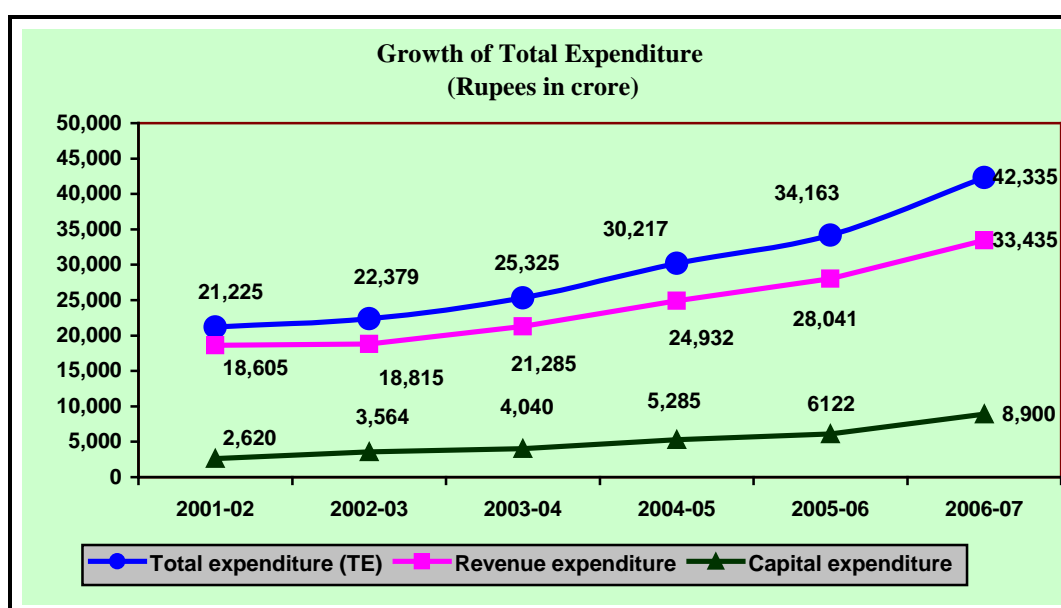
Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, extend the network of these services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

Total expenditure, its annual growth rate and ratio of expenditure to GSDP and to revenue receipts and its buoyancy in relation to GSDP and revenue receipts are indicated in table 10 below followed by its graphic representation.

**Table 10 : Total expenditure – Basic parameters**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total expenditure (TE)* (Rupees in crore)	21,225	22,379	25,325	30,217	34,163	42,335
Rate of growth (Per cent)	10.9	5.4	13.2	19.3	13.1	23.9
TE/GSDP ratio (Per cent)	19.7	19.0	19.7	20.3	20.0	21.8
Revenue receipts/TE ratio (Per cent)	72.2	72.2	82.0	87.9	88.8	88.8
<b>Buoyancy of total expenditure with</b>						
GSDP(Ratio)	2.3	0.6	1.4	1.2	0.9	1.8
Revenue receipts (ratio)	3.2	1.0	0.5	0.7	0.9	1.0

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



Capital expenditure includes disbursement of loans and advances

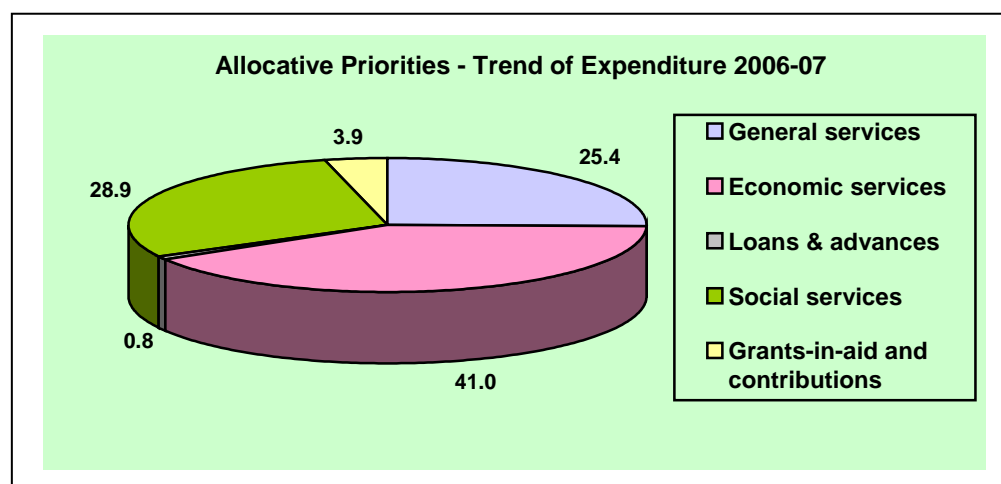
Total expenditure increased from Rs.21,225 crore in 2001-02 to Rs.42,335 crore in 2006-07 (99 per cent). Revenue expenditure which constituted 88 per cent of total expenditure in 2001-02 decreased to 79 per cent in 2006-07. Ratio of revenue receipts to total expenditure increased from 72 per cent to 89 per cent during the period, indicating that nearly 89 per cent of the State's total expenditure was met from its revenue receipts. Capital expenditure (including loans and advances), increased by 240 per cent from Rs.2,620 crore in 2001-02 to Rs.8,900 crore in 2006-07. It constituted 21 per cent of total expenditure in 2006-07 as against 12 per cent in 2001-02. During 2006-07, plan capital expenditure constituted 98 per cent of total capital expenditure. Of this, 24 per cent (Rs.2,095 crore) was towards repayment of off-budget borrowings.

#### 1.4.2 Trends in total expenditure by activities:

In terms of activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Relative share of these components in total expenditure (including disbursements of loans and advances) is indicated in table 11 followed by its graphic representation.

**Table 11 : Components of expenditure – Relative share**

	<i>(in per cent)</i>					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General services	29.5	32.1	36.2	33.2	30.0	25.4
<i>Of which interest payments</i>	42.8	45.8	40.5	37.8	36.7	39.4
Social services	31.3	29.6	29.2	27.2	29.3	28.9
Economic services	34.1	32.9	28.1	35.0	36.4	41.0
Grants-in-aid	2.7	2.6	2.5	2.6	3.4	3.9
Loans and advances	2.4	2.8	4.0	2.0	0.9	0.8





The movement of relative share of these components indicates that while the share of social services in total expenditure declined from 31 *per cent* in 2001-02 to 29 *per cent* in 2006-07, the relative share of general services, considered as non-developmental, increased from 30 *per cent* in 2001-02 to 36 *per cent* in 2003-04, thereafter declined to 25 *per cent* in 2006-07. The share of economic services expenditure increased from 34 *per cent* in 2001-02 to 41 *per cent* in 2006-07 with inter-year variations.

### 1.4.3 Incidence of revenue expenditure

Revenue expenditure has the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and make payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in table 12.

**Table 12 : Revenue expenditure – Basic parameters**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue expenditure (RE)	18,605	18,815	21,285	24,932	28,041	33,435
Non-plan revenue expenditure (NPRE)	14,662	15,570	17,732	19,807	22,972	25,583
Plan revenue expenditure (PRE)	3,943	3,245	3,553	5,125	5,069	7,852
<b>Rate of growth (Per cent)</b>						
NPRE	11.0	6.2	13.9	11.7	16.0	11.4
PRE	13.3	-17.7	9.5	44.2	-1.1	54.9
NPRE/ GSDP (Per cent)	13.6	13.3	13.8	13.3	13.5	13.2
NPRE as <i>per cent</i> of TE	69.1	69.6	70.0	65.5	67.2	60.4
NPRE as <i>per cent</i> to revenue receipts	95.7	96.3	85.4	74.5	75.7	68.1
<b>Buoyancy of revenue expenditure with</b>						
GSDP (ratio)	2.4	0.1	1.4	1.1	0.8	1.4
Revenue receipts (ratio)	3.4	0.2	0.5	0.6	0.9	0.8

Revenue expenditure increased from Rs.18,605 crore in 2001-02 to Rs.33,435 crore in 2006-07 (increase 80 *per cent*). While plan revenue expenditure increased from Rs.3,943 crore to Rs.7,852 crore (increase 99 *per cent*) and non-plan revenue expenditure increased from Rs.14,662 crore to Rs.25,583 crore (increase 74 *per cent*).

The non plan revenue expenditure was at 60 *per cent* of total expenditure and 68 *per cent* of revenue receipts during 2006-07. The increase of Rs.2,611 crore in 2006-07 over the previous year was mainly due to increase in subsidy payments (Rs.643 crore), salaries (Rs.613 crore), pension payments (Rs.259 crore) and interest payments (Rs.471 crore). The increase in plan revenue expenditure by Rs.2,783 crore was mainly under education, sports, art and culture (Rs.286 crore), water supply, sanitation, housing and urban development (Rs.309 crore) social welfare (Rs.329 crore), agriculture and allied services (Rs.280 crore), transport (Rs.267 crore) and general economic services (Rs.956 crore).

### 1.4.4 Committed expenditure

#### Expenditure on salaries

Salary expenditure increased from Rs.5,030 crore in 2001-02 to Rs.6,545 crore in 2006-07 as indicated in table below:

**Table 13 : Expenditure on salaries**

(Rupees in crore)

Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 <sup>■</sup>
Expenditure on salaries <sup>♦</sup>	5,029.74	4,940.70	5,322.76	5,392.15	5,932.49	6,545.37
Non-plan	4,304.51	4,634.00	5,007.07	5,074.62	5,597.59	6,110.82
Plan <sup>∇</sup>	725.23	297.70	315.69	317.53	334.90	434.55
As percentage of GSDP	4.7	4.2	4.1	3.6	3.5	3.4
As percentage of Revenue receipts	32.8	30.6	25.6	20.3	19.5	17.4

Expenditure on salaries declined from five *per cent* of GSDP in 2001-02 to three *per cent* in 2006-07. As a percentage of revenue receipts, it decreased from 33 to 17 due to reform measures undertaken by the State Government, viz., freeze on creation of posts and recruitment except in high priority departments like health, police and education. It was however around 25 *per cent* of revenue expenditure (net of pensions and interest payments), within the limit of 35 *per cent* recommended by TFC.

#### Pension payments

Year-wise break-up of expenditure incurred on pension during the years 2001-2002 to 2006-07 was as under:

**Table 14 – Expenditure on pensions**

(Rupees in crore)

Head	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on pension	1,641	1,773	1,901	2,157	2,237	2,496
As <i>per cent</i> of GSDP	1.5	1.5	1.5	1.5	1.3	1.3
As <i>per cent</i> of revenue receipts	10.7	11.0	9.2	8.1	7.4	6.6

Expenditure on pension payments was Rs.2,496 crore which constituted seven *per cent* of the total revenue receipts of the State during 2006-07. The State Government introduced contributory pension scheme to cover employees recruited after 1 April 2006.

Based on trend growth rates, the State Government projected expenditure on pension at Rs.2,661 crore but actual expenditure was Rs.165 crore below the FCP projection.

<sup>■</sup> Revised estimates

<sup>♦</sup> Includes salary expenditure of panchyat raj institutions. Source : Finance Department

<sup>∇</sup> Includes salaries under Centrally Sponsored Schemes

### Interest payments

The details of interest payments of the State Governments for the period 2001-02 to 2006-07 and its percentage with reference to revenue receipts and revenue expenditure are given in table 15.

**Table 15 : Interest payments**

Year	Revenue receipts	Revenue expenditure	Interest payment	Percentage of interest payment with reference to	
	(Rupees in crore)			Revenue receipts	Revenue expenditure
2001-2002	15,321	18,605	2,683	17.5	14.4
2002-2003	16,169	18,815	3,292	20.4	17.5
2003-2004	20,760	21,285	3,710	17.9	17.4
2004-2005	26,570	24,932	3,794	14.3	15.2
2005-2006	30,352	28,041	3,765	12.4	13.4
2006-2007	37,587	33,435	4,236	11.3	12.7

Interest payments increased by Rs,1,553 crore from Rs.2,683 crore in 2001-02 to Rs.4,236 crore in 2006-07. Bulk of the expenditure on interest payments, i.e. 40 per cent amounting to Rs.1,715 crore, was on NSSF loans which carried interest rate of 9.5 per cent.

The ratio of interest payments to revenue receipts determines the sustainability of debt of the State. As per the recommendation of TFC, the level of interest payments relative to revenue receipts should fall to 15 per cent by 2009-10. In 2006-07, interest payments constituted 11 per cent of revenue receipts below the limit of 15 per cent prescribed by TFC. This was partly due to gain of Rs. 276 crore in the nature of reduction of interest payments to be paid during 2006-07 under DCRF envisaged by TFC.

### Subsidies

In any welfare State it is not uncommon to provide subsidies/subventions to disadvantaged sections of the society and making provision for merit goods – education, housing, health, etc. at subsidised prices.

The trends in the subsidies given by the State Government are given in table 16.

**Table 16 : Subsidies**

Year	Amount (Rs. in crore)	Percentage increase (+)/ decrease (-) over previous year	Percentage of subsidy to revenue expenditure
2001-02	2,861	89	15
2002-03	2,230	(-) 22	12
2003-04	2,066	(-) 07	10
2004-05	2,732	32	11
2005-06	3,712	36	13
2006-07	4,355	17	13

Subsidy payments during 2006-07 were mainly in the areas of power (Rs.2,371 crore), co-operation (Rs.821 crore), food (Rs.750 crore) and transport (Rs.273 crore) as discussed below:

### ***Power***

Power sector continued to be highly subsidised with subsidy being extended to electricity supply companies to cover loss due to rural electrification (Rs.2,042 crore), pension payment contribution (Rs.240 crore), irrigation pump set regularisation (Rs.59 crore), power bill arrears of households below poverty line (Rs.25 crore), fixed meter connection (Rs.5 crore). Subsidy dispensation in the power sector was largely affected due to failure to achieve hundred *per cent* metering of IP sets.

The power subsidy of Rs.2,371 crore during the year does not include the tariff subsidy of Rs.130 crore to the electricity supply companies. The amount was ordered (March 2007) by the Government to be classified as 'debt servicing' and met from the supplementary provision of Rs.135 crore for debt servicing of Power Finance Corporation and Rural Electrification Corporation loans taken over by the State Government. The Finance Accounts 2006-07, however, did not reflect this liability as orders of this taking over were not issued. The State Government stated (November 2007) that debt would be included in off-budget side in 2008-09, which was against the State's commitment in MTFP 2007-11 to phase out off-budget borrowings from 2008-09.

### ***Co-operation***

Subsidy of Rs.821 crore in the co-operative sector included Rs.500 crore towards waiver of crop loans and Rs.277 crore towards interest waiver. However, the recovery of short term, medium term and long term loans declined from 81, 61 and 63 *per cent* in 2005-06 to 47, 12 and 22 *per cent* in 2006-07 as reported in Economic Survey of Karnataka, 2006-07. The State Government stated (December, 2007) that subsidy of Rs.500 crore towards loan waiver was released at the fag end of the year and its impact on recovery of loans would be felt only in 2007-08.

### ***Food***

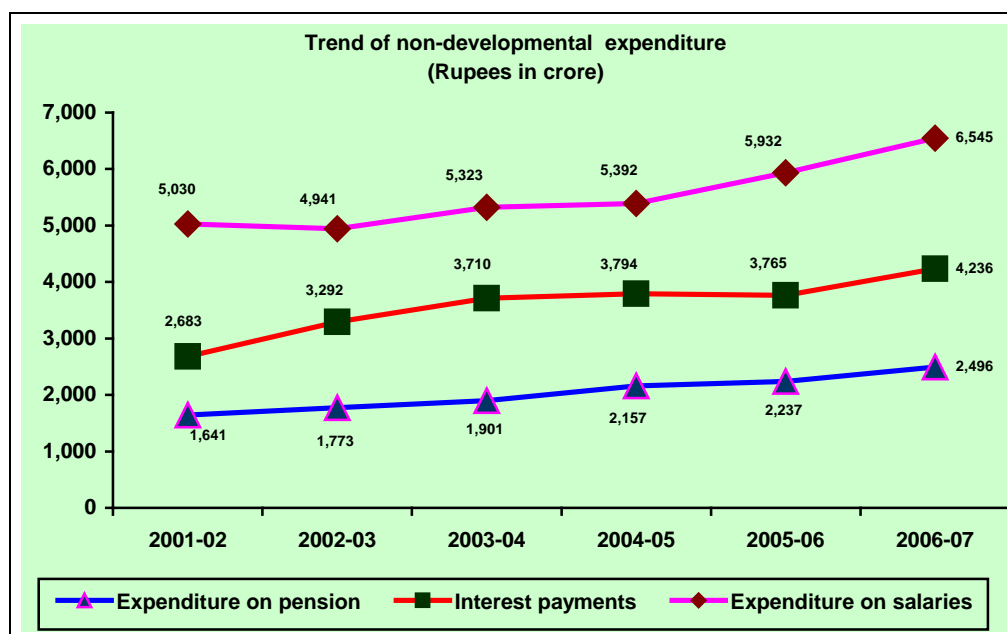
Food subsidy to meet the difference between the cost price of food grains and issue price from the Public Distribution System rose from Rs.730 crore in 2005-06 to Rs.750 crore in 2006-07. In the face of expected decline in poverty level and possible review in issue price, the State Government maintained the food subsidy projections at constant level in MTFP 2004-10.

### ***Transport***

Transport subsidy of Rs.273 crore during the year did not include an implicit subsidy of Rs.53 crore released as investment to Bangalore Metropolitan Transport Corporation towards compensation of loss incurred on issue of student concession passes.

Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public service to the people. Budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges (revenue receipt/revenue expenditure) from the social and economic services provided by the Government fall in the category of implicit subsidies.

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



## 1.5 Expenditure by allocative priorities

### 1.5.1 Quality of expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP better is the quality of expenditure. Table 17 gives these ratios during 2001-07.

**Table 17: Indicators of quality of expenditure**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Capital expenditure</b>	2,106	2,936	3,029	4,674	5,822	8,543
<b>Revenue expenditure, of which</b>	18,605	18,815	21,285	24,932	28,041	33,435
Social & Economic services						
<i>Salary component</i>	3,679.87	3,589.85	3,796.47	3,887.09	4,315.20	4,791.43
<i>Non-salary component</i>	8,146.72	7,538.82	7,820.27	10,346.18	12,530.91	16,585.52
<b>As per cent of total expenditure</b>						
Capital expenditure	10.17	13.50	12.46	15.79	17.19	20.35
Revenue expenditure	89.83	86.50	87.54	84.21	82.81	79.65
<b>As per cent of GSDP</b>						
Capital expenditure	1.95	2.50	2.36	3.15	3.41	4.40
Revenue expenditure	17.24	16.01	16.56	16.78	16.42	17.23

Capital expenditure as a percentage of total expenditure showed an increasing trend from 10 in 2001-02 to 20 in 2006-07. Its ratio with reference to GSDP also increased from two to four *per cent* during the period. Expenditure on non-salary component under revenue expenditure also showed increasing

trend from 2002-03. In 2006-07 the increase was 32 *per cent* over previous year from Rs.12,531 crore to Rs.16,586 crore. These trends indicate the improvement in the quality of expenditure and the impetus being given for asset formation.

### 1.5.2 Expenditure on social services

Given the fact that human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc., have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. Table 18 summarises the expenditure incurred by the State Government in expanding and strengthening social services in the State during 2001-07.

**Table 18 : Expenditure on social services**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Education, sports, art and culture</b>	<b>3505.88</b>	<b>3570.72</b>	<b>3771.33</b>	<b>4362.83</b>	<b>4890.07</b>	<b>5758.19</b>
<i>Revenue expenditure, of which</i>	<b>3501.41</b>	<b>3564.01</b>	<b>3766.02</b>	<b>4357.91</b>	<b>4837.40</b>	<b>5703.21</b>
<i>Salary component</i>	2104.99	2017.82	2142.56	2292.74	2606.79	3019.53
<i>Non-salary component</i>	1396.42	1546.19	1623.46	2065.17	2230.61	2683.68
<b>Capital expenditure</b>	<b>4.47</b>	<b>6.71</b>	<b>5.31</b>	<b>4.92</b>	<b>52.67</b>	<b>54.98</b>
<b>Health and family welfare</b>	<b>1085.84</b>	<b>1004.12</b>	<b>995.70</b>	<b>1043.91</b>	<b>1146.19</b>	<b>1349.61</b>
<i>Revenue expenditure, of which</i>	<b>986.32</b>	<b>953.65</b>	<b>958.93</b>	<b>1035.61</b>	<b>1138.50</b>	<b>1206.66</b>
<i>Salary component</i>	559.71	570.10	581.78	573.95	616.03	651.87
<i>Non-salary component</i>	426.61	383.55	377.15	461.66	522.47	554.79
<b>Capital expenditure</b>	<b>99.52</b>	<b>50.47</b>	<b>36.77</b>	<b>8.30</b>	<b>7.69</b>	<b>142.95</b>
<b>Water supply, sanitation, housing and urban Development</b>	<b>769.34</b>	<b>743.36</b>	<b>1083.03</b>	<b>1269.27</b>	<b>1881.55</b>	<b>2130.92</b>
<i>Revenue expenditure, of which</i>	<b>713.41</b>	<b>576.04</b>	<b>794.22</b>	<b>857.89</b>	<b>911.77</b>	<b>1205.44</b>
<i>Salary component</i>	12.47	12.02	13.34	12.86	14.69	14.54
<i>Non-salary component</i>	700.94	564.02	780.88	845.03	897.08	1190.90
<b>Capital expenditure</b>	<b>55.93</b>	<b>167.32</b>	<b>288.81</b>	<b>411.38</b>	<b>969.78</b>	<b>925.48</b>
<b>other social services</b>	<b>1280.05</b>	<b>1303.35</b>	<b>1542.19</b>	<b>1532.78</b>	<b>2086.28</b>	<b>2990.61</b>
<i>Revenue expenditure, of which</i>	<b>1227.67</b>	<b>1232.55</b>	<b>1445.87</b>	<b>1471.34</b>	<b>2011.12</b>	<b>2821.40</b>
<i>Salary component</i>	187.59	189.40	207.16	216.59	214.12	249.89
<i>Non-salary component</i>	1040.08	1043.15	1238.71	1254.75	1797.00	2571.51
<b>Capital expenditure</b>	<b>52.38</b>	<b>70.80</b>	<b>96.32</b>	<b>61.44</b>	<b>75.16</b>	<b>169.21</b>
<b>Total (social services)</b>	<b>6641.11</b>	<b>6621.55</b>	<b>7392.25</b>	<b>8208.79</b>	<b>10004.09</b>	<b>12229.33</b>
<i>Revenue expenditure, of which</i>	<b>6428.81</b>	<b>6326.25</b>	<b>6965.04</b>	<b>7722.75</b>	<b>8898.79</b>	<b>10936.71</b>
<i>Salary component</i>	2864.76	2789.34	2944.84	3096.14	3451.63	3935.83
<i>Non-salary component</i>	3564.05	3536.91	4020.20	4626.61	5447.16	7000.88
<b>Capital expenditure</b>	<b>212.30</b>	<b>295.30</b>	<b>427.21</b>	<b>486.04</b>	<b>1105.30</b>	<b>1292.62</b>

Expenditure on social services increased from Rs.6,641 crore in 2001-02 to Rs.12,229 crore in 2006-07. Out of total developmental expenditure of Rs.29,599 crore, expenditure on social services accounted for 41 *per cent* during the year.

Education, health and family welfare and water supply and sanitation were the identified priority sectors under social services and 76 per cent of the total expenditure on social services was on these priority sectors.

Capital expenditure of Rs.1,293 crore in 2006-07 under Social Services included Rs.236 crore (18 per cent) on debt servicing and the remaining 82 per cent of the capital expenditure was available for development.

The optimum level of social expenditure depends on the size of the population, level of human development and stage in the development of infrastructure. According to Human Development Report of UNDP, in order to benefit human development, the ratio of social expenditure to total expenditure should be at least 0.4. The ratio of social services sector expenditure to total expenditure, however, fell from 0.32 in 2001-02 to 0.29 in 2006-07.

### 1.5.3 Expenditure on economic services

The expenditure on economic services includes all such expenditures as to promote directly or indirectly, productive capacity within the State's economy. The expenditure on economic services (Rs.17,369 crore) accounted for 59 per cent of total developmental expenditure of Rs.29,599 crore. In the economic services sector, expenditure on priority sectors like agriculture and allied activities (Rs.3,174 crore), irrigation and flood control,(Rs.4,410 crore) and energy (Rs.2,832 crore) consumed 60 per cent of the total expenditure on economic services. Major trends were as follows:

**Table 19: Economic services sector expenditure**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Agriculture and allied activities</b>	<b>1115.75</b>	<b>1100.05</b>	<b>1356.37</b>	<b>2083.71</b>	<b>2883.82</b>	<b>3173.99</b>
<i>Revenue expenditure, of which</i>	<b>1088.11</b>	<b>1077.10</b>	<b>1348.92</b>	<b>2064.90</b>	<b>2866.65</b>	<b>3140.84</b>
<i>Salary component</i>	422.89	413.68	430.70	420.01	459.07	467.08
<i>Non-salary component</i>	665.22	663.42	918.22	1644.89	2407.58	2673.76
<b>Capital expenditure</b>	<b>27.64</b>	<b>22.95</b>	<b>7.45</b>	<b>18.80</b>	<b>17.17</b>	<b>33.15</b>
<b>Irrigation and flood control</b>	<b>1715.62</b>	<b>2235.19</b>	<b>2060.52</b>	<b>3223.64</b>	<b>3545.50</b>	<b>4410.16</b>
<i>Revenue expenditure, of which</i>	<b>190.76</b>	<b>206.73</b>	<b>179.06</b>	<b>213.91</b>	<b>215.81</b>	<b>294.42</b>
<i>Salary component</i>	133.33	128.48	140.36	92.42	89.40	76.66
<i>Non-salary component</i>	57.43	78.25	38.70	121.49	126.41	217.76
<b>Capital expenditure</b>	<b>1524.86</b>	<b>2028.46</b>	<b>1881.46</b>	<b>3009.73</b>	<b>3329.69</b>	<b>4115.74</b>
<b>Power &amp; energy</b>	<b>2336.69</b>	<b>1906.92</b>	<b>1733.05</b>	<b>1896.71</b>	<b>1886.93</b>	<b>2832.48</b>
<i>Revenue expenditure, of which</i>	<b>2336.69</b>	<b>1906.92</b>	<b>1733.05</b>	<b>1896.71</b>	<b>1836.93</b>	<b>2402.01</b>
<i>Salary component</i>	0.08	0.09	0.09	0.13	0.25	0.13
<i>Non-salary component</i>	2336.61	1906.83	1732.96	1896.58	1836.68	2401.88
<b>Capital expenditure</b>	---	---	---	---	<b>50.00</b>	<b>430.47</b>
<b>Transport</b>	<b>778.28</b>	<b>818.87</b>	<b>821.64</b>	<b>1513.42</b>	<b>1786.55</b>	<b>3387.48</b>
<i>Revenue expenditure, of which</i>	<b>513.62</b>	<b>395.79</b>	<b>311.43</b>	<b>617.60</b>	<b>756.10</b>	<b>1563.98</b>
<i>Salary component</i>	15.44	16.21	17.80	15.01	18.27	19.21
<i>Non-salary component</i>	498.18	379.58	293.63	602.59	737.83	1544.77
<b>Capital expenditure</b>	<b>264.66</b>	<b>423.08</b>	<b>510.21</b>	<b>895.82</b>	<b>1030.45</b>	<b>1823.50</b>
<b>Other economic services</b>	<b>1293.27</b>	<b>1306.24</b>	<b>1153.87</b>	<b>1844.47</b>	<b>2343.23</b>	<b>3565.14</b>
<i>Revenue expenditure, of which</i>	<b>1268.60</b>	<b>1215.88</b>	<b>1079.24</b>	<b>1717.39</b>	<b>2271.83</b>	<b>3038.99</b>

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Salary component	243.37	242.04	262.68	263.37	296.58	292.52
Non-salary component	1025.23	973.84	816.56	1454.02	1975.25	2746.47
<b>Capital expenditure</b>	<b>24.67</b>	<b>90.36</b>	<b>74.63</b>	<b>127.08</b>	<b>71.40</b>	<b>526.15</b>
<b>Total (economic services)</b>	<b>7239.61</b>	<b>7367.27</b>	<b>7125.45</b>	<b>10561.95</b>	<b>12446.03</b>	<b>17369.25</b>
<b>Revenue expenditure, of which</b>	<b>5397.78</b>	<b>4802.42</b>	<b>4651.70</b>	<b>6510.52</b>	<b>7947.32</b>	<b>10440.24</b>
Salary component	815.11	800.51	851.63	790.95	863.57	855.60
Non-salary component	4582.67	4001.91	3800.07	5719.57	7083.75	9584.64
<b>Capital expenditure</b>	<b>1841.83</b>	<b>2564.85</b>	<b>2473.75</b>	<b>4051.43</b>	<b>4498.71</b>	<b>6929.01</b>

Expenditure on economic services increased from Rs.7,240 crore in 2001-02 to Rs.17,369 crore in 2006-07. Out of total developmental expenditure of Rs.29,599 crore, expenditure on economic services accounted for 59 per cent during the year.

Out of total expenditure on economic services during 2006-07, 25 per cent was under irrigation and flood control, 19 per cent on transport, 18 per cent on agriculture and allied activities and 16 per cent was under power. As compared to 2001-02 significant increases in 2006-07 was observed in irrigation and flood control -157 per cent, agriculture and allied activities -184 per cent and transport - 335 per cent. The salary component in expenditure on economic services ranged between 12 and 5 per cent. The non salary component increased from Rs.3,800 crore in 2003-04 to Rs,9,585 crore in 2006-07. Capital expenditure included an expenditure of Rs.1,859 crore (27 per cent) on repayment of off-budget borrowings.

#### 1.5.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the six year period 2001-07 is presented in table 20.

**Table 20: Financial assistance to local bodies and other institutions**

	(Rupees in crore)					
Description	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Panchayat raj institutions	3,829.68	4,515.66	4,524.31	4,956.93	6,088.61	7,767.93
Urban local bodies	631.95	644.42	892.48	1,169.85	1,605.85	2,113.48
Educational institutions (including universities)	499.85	646.99	603.16	688.93	695.62	750.27
Co-operative societies and co-operative institutions	3.34	5.00	57.62	167.65	955.45	882.98
Other institutions and bodies (including statutory bodies)	2,464.01	1,863.28	1,702.81	1,745.28	1,837.43	2,400.54
<b>Total</b>	<b>7,428.83</b>	<b>7,675.35</b>	<b>7,780.38</b>	<b>8,728.64</b>	<b>11,182.96</b>	<b>13,915.20</b>
Percentage growth over previous year	15	3	1	11	22	20
Revenue receipts	15,321.25	16,168.76	20,759.88	26,569.66	30,352.05	37,586.94
Assistance as a percentage of revenue receipts	48	47	37	33	37	37
Revenue expenditure	18,605.00	18,814.50	21,284.71	24,931.85	28,040.89	33,435.43
Percentage of assistance to revenue expenditure	40	41	37	35	40	42
Percentage of assistance to panchayat raj institutions to total assistance	52	59	58	57	54	56



The assistance to Panchayat Raj Institutions (PRI) increased from Rs.3,830 crore in 2001-02 to Rs.7,768 crore in 2006-07. The assistance to Urban Local Bodies (ULB) increased from Rs.632 crore in 2001-02 to Rs.2113 crore in 2006-07. Out of the total devolution of Rs.9,881 crore to PRIs & ULBs, Rs.3,774 crore (38 per cent) were towards salaries during 2006-07 as the State Government's functions viz., education, water supply and sanitation, housing, health and family welfare etc., remained transferred to PRIs and ULBs. Assistance (Rs.2,401 crore) to other institutions and bodies included expenditure of Rs.2,371 crore on subsidy paid to electric supply companies.

#### ***1.5.5 Delay in furnishing utilisation certificates***

Of the 1281 utilisation certificates (UC) due in respect of grants and loans aggregating Rs.912.74 crore paid upto 2006-07, 1211 UCs for an aggregate amount of Rs.804.78 crore were in arrears. Department-wise break-up of outstanding UCs is given in **Appendix 1.7**.

#### ***1.5.6 Non-submission of accounts***

In order to identify the institutions which attract audit under sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act, 1971, the Government/Heads of the Department are required to furnish to audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. As of March 2007, 16 departments of the Government have not furnished details for the year 2006-07 as shown in **Appendix 1.8**.

#### ***1.5.7 Audit of performance of the autonomous bodies***

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

#### ***1.5.8 Misappropriations, losses, defalcations, etc.***

The State Government reported 220 cases of misappropriation, defalcation, etc., involving Government money amounting to Rs.10.04 crore upto the period 31 March 2007 on which final action was pending. The department wise breakup of pending cases is given in **Appendix 1.10**.

#### ***1.5.9 Write-off of losses, etc.***

A sum of Rs.0.57 lakh being the cost of food grains lost in transit was written-off during 2006-07 by the Government in Food and Civil Supplies department.

### **1.6 Assets & Liabilities**

In Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.2** gives an

abstract of such liabilities and assets as on 31 March 2007, compared with the corresponding position on 31 March 2006. While liabilities shown in this statement consist mainly of internal borrowings, loans and advances from GOI, receipts from the public account and reserve funds; assets comprise mainly of capital outlay and loans and advances given by the State Government and the cash balances. The liabilities of the State depicted in the Finance Accounts, however, do not include pension, other retirement benefits payable to retired/retiring State employees, guarantees / letters of comfort issued by State Government and borrowings through special purpose vehicles termed off-budget borrowings. Appendix 1.2 shows that while the growth rate of assets remained stagnant at 22 *per cent*, growth rate of liabilities fell to 11 *per cent* in 2006-07 as against 12 *per cent* in the previous year.

### 1.6.1 Incomplete projects

Incomplete projects/works reflect failure on part of the State to prioritise expenditure and to spread its resources adequately over these projects. Additional statement of Finance Accounts gives the details of these works. As reported by the departments of the State Government, there were 261 incomplete projects/works. Expenditure incurred upto end of 2006-07 was Rs.1,174 crore (17 *per cent*) as against the original cost of Rs.6,869 crore.

### 1.6.2 Investments and returns

As on 31 March 2007, Government had invested Rs.18,698.57 crore in statutory corporations, rural banks, Government companies, joint stock companies and co-operatives (table 21).

**Table 21 : Return on investment**

(Rupees in crore)

Year	Investment at the end of the year	Amount of return	Percentage of return	Average interest rate on Government borrowing – market loans ( <i>per cent</i> )	Difference between interest rate and return
2001-2002	4,840.34	10.6	0.2	9.1	8.9
2002-2003	6,150.37	21.3	0.4	9.4	9.0
2003-2004	7,984.19	18.0	0.2	9.4	9.2
2004-2005	10,741.40	16.7	0.2	8.5	8.3
2005-2006	14,052.53	16.9	0.1	7.6	7.5
2006-2007	18,698.37	19.5	0.1	7.7	7.6

The return on this investment was 0.1 to 0.4 *per cent* in the last six years, while the Government paid interest on its borrowing at the average rate of eight to nine *per cent*.

The aggregate cumulative loss was Rs.2,658.81 crore against the investment of Rs.2,020.61 crore made by the Government in 20 companies which included the following three major companies falling under economic services sector.

**Table : 22**

(Rupees in crore)

Sl. No.	Company	Investment	Cumulative loss	
			Amount	to end of
1.	Karnataka State Road Development Corporation	812.52	59.26	2005-06
2.	Karnataka State Industrial Investment and Development Corporation, Bangalore	625.10	574.64	2004-05
3.	Karnataka State Road Transport Corporation	433.67	200.00	2005-06
<b>Total</b>		<b>1,871.29</b>	<b>833.90</b>	

### 1.6.3 Loans and advances by State Government

In addition to investment in corporations, companies and cooperative societies, Government has also been providing loans and advances to many of these institutions/organisations. Total outstanding loans and advances as on 31 March 2007 was Rs.6,240.83 crore (table 23).

**Table 23 : Average interest received on loans advanced by the State Government**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Opening balance	4,076.69	4,556.46	4,256.04	5,202.95	5,767.53	5,943.58*
Amount advanced during the year	514.47	627.58	1,011.20	611.43	299.60	357.23
Amount repaid during the year	34.70	928.00	64.29	46.85	123.55	59.97
<b>Closing balance</b>	<b>4,556.46</b>	<b>4,256.04</b>	<b>5,202.95</b>	<b>5,767.53</b>	<b>5,943.58</b>	<b>6,240.83</b>
Net addition (+) / reduction (-)	479.77	-300.42	946.91	564.58	176.05	297.26
Interest received (Rupees in crore)	112.11	19.98	96.27	88.18	94.95	38.49
Interest received as <i>per cent</i> to outstanding loans and advances	2.6	0.4	2.0	1.6	1.6	0.6
Average interest	9.1	9.4	9.4	8.5	7.6	7.7
Difference between average interest and interest received ( <i>per cent</i> )	6.5	9.0	7.4	6.9	6.0	7.1

♦ Differs in closing balance by Rs.0.01 crore due to rounding as shown in Appendix 1.2.

Outstanding loans as on March 2007 included Rs.377 crore given to 19 companies for implementation of voluntary retirement scheme, and Rs.286 crore given to five institutions for loan repayment. The interest earned during 2006-07 was about 0.6 *per cent* of the outstanding loans.

Terms and conditions of repayment were not specified in respect of loans amounting to Rs.347.12 crore (19 cases) advanced by the State Government during the year.

As of March 2007, recovery of Rs.2,256.65 crore (principal: Rs.822.32 crore and interest: Rs.1,434.33. crore) was over-due. Loans aggregating Rs.201 crore pertain to 11 companies which were either liquidated or under liquidation. A few illustrative cases are given in the table below:

**Table: 24**

(Rupees in crore)

Sl. No.	Government companies under liquidation / liquidated	loan outstanding for recovery
1.	New Government Electric Factory, Bangalore	122.59
2.	Mysore Acetate and Chemicals Ltd, Bangalore	15.52
3.	Karnataka Film Industries Development Corporation	0.75
4.	Mysore Lamp works Ltd	46.26
5.	Karnataka Telecom Ltd	4.21
6.	Karnataka Agro Proteins Ltd	0.70

#### 1.6.4 Management of Cash balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) - ordinary and special - from Reserve Bank of India (RBI) has been put in place. The operative limit for normal WMA is reckoned on the three-year average of revenue receipts and the operative limit for special WMA are fixed by the RBI from time to time depending on the holdings of Government Securities. During the year, the limit of normal WMA was fixed at Rs.625 crore. The operative limit of special WMA varied between Rs.2.18 crore and Rs.5,607.47 crore during the year depending on the securities held by the State. WMA and overdraft availed and interest paid by the State is detailed in table 25 below.

**Table 25 : Ways and means advances and overdrafts of the State and interest paid thereon**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Ways &amp; Means advances</b>						
Availed in the year	735.88	4,045.45	4,623.92	1,462.79	--	---
Interest paid	0.91	5.22	7.94	1.2	--	---
No. of days availed	40	170	163	61	--	---
<b>Overdraft</b>						
Availed in the year	--	47.84	757.72	--	--	---
Interest paid	--	0.01	0.9	--	--	---
Number of days	--	1	33	--	--	---

In 2006-07, the liquidity position of the State Government continued to be stable and the State Government did not avail WMA / over-draft. The cash balance of the State in 2006-07 increased by Rs. 1,498 crore over the previous year and included sinking fund balance of Rs.340 crore. Cash-balance investments in GOI treasury bills, securities, etc in 2006-07 increased by Rs.1,319 crore over the previous year.

### 1.7 Un-discharged liabilities

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

### 1.7.1 Fiscal liabilities-Public debt and Guarantees

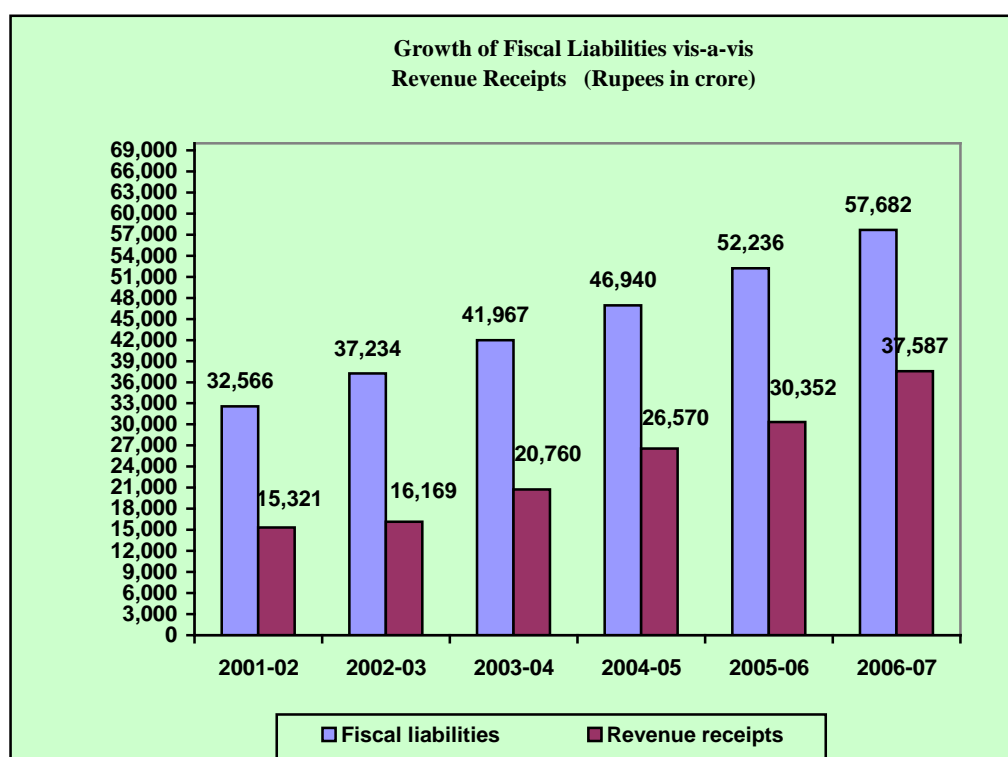
There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the annual financial Statements under the consolidated fund – capital account. It includes market loans, special securities issued to RBI and loans and advances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

Table 26 and the graph below show the fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

**Table 26 : Fiscal liabilities –Basic parameters**

(Amount Rupees in crore and Ratios in *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal liabilities	32,566	37,234	41,967	46,940	52,236	57,682
Rate of growth ( <i>per cent</i> )	22.6	14.3	12.7	11.8	11.3	10.4
<b>Ratio of fiscal liabilities to</b>						
GSDP ( <i>Per cent</i> )	30.2	31.7	32.6	31.6	30.6	29.7
Revenue receipts ( <i>Per cent</i> )	212.6	230.3	202.1	176.7	172.1	153.5
Own resources ( <i>Per cent</i> )	297.5	317.8	270.3	228.5	232.1	210.5
<b>Buoyancy of fiscal liabilities to</b>						
GSDP(ratio)	4.7	1.6	1.3	0.8	0.8	0.8
Revenue receipts (ratio)	6.6	2.6	0.4	0.4	0.8	0.4
Own resources(ratio)	9.9	2.0	0.4	0.4	1.2	0.5



Fiscal liabilities of the State increased from Rs.32,566 crore in 2001-02 to Rs.57,682 crore in 2006-07 comprising consolidated fund liabilities (Rs.41,846 crore) and public account liabilities (Rs.15,836 crore).

The rate of growth of fiscal liabilities of the State has been following a downward path and fell to 10.4 *per cent* in 2006-07 from 22.6 *per cent* in 2001-02.

In 2006-07, the growth rate of fiscal liabilities was lower than the growth of GSDP and the buoyancy of fiscal liabilities to GSDP which was as high as 4.7 in 2001-02 came down to 1.6 in 2003-04 and remained constant at 0.8 during the last three years.

As per the recommendation of the TFC, all states were required to set-up a Sinking Fund for amortisation of all loans including liabilities on account of National Small Savings Fund (NSSF), etc., The State Government had already constituted a sinking fund for amortisation of open market loans. However, there were no contributions to the sinking fund since 1999-2000. The sinking fund was yet to be revived.

### 1.7.2 Status of Guarantees – contingent liabilities

Guarantees are liabilities contingent on the consolidated fund of the State in case of default by the borrower for whom the guarantee has been extended. The maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2001-02 as per Statement 6 of Finance Accounts is given in table 27.

**Table 27 : Guarantees given by the Government of Karnataka**

(Rupees in crore)

Year	Max amount guaranteed	Outstanding amount of guarantees	Percentage of outstanding amount guaranteed to total revenue receipts of the second preceding year
2001-02	20,823	12,279	95
2002-03	20,973	13,314	90
2003-04	21,225	14,179	93
2004-05	19,910	11,574	72
2005-06	20,107	8,984	43
2006-07	19,793	9,879	37

The Karnataka Ceiling on Government Guarantees Act, 1999, provides for a cap on outstanding guarantees at the end of any year at 80 *per cent* of the State's revenue receipts of the second preceding year. The outstanding guarantees to the end of 2006-07 constituted 37 *per cent* of the revenue receipts of the year 2004-05 but as stated in the MTFP 2007-11, there existed no risk-based assessment of outstanding guarantees to enable corrective action. TFC recommended setting up of Guarantee Redemption Fund through earmarked guarantee fees based on risk weighing of guarantees. The State Government had already set up a Guarantee Reserve Fund in 1999-2000 with a corpus of Rs. one crore but there had been no transactions under this fund.

The departments of the Government are expected to levy guarantee fee at the rate of one *per cent* on the amount of outstanding guarantee. Guarantee fees

of Rs.10 crore remitted to Government account under the head 'miscellaneous general services' in 2006-07 was not transferred to the Guarantee reserve fund.

### 1.7.3 Off-budget borrowings

The borrowings of a State are governed under Article 293 of the Constitution of India. In addition to the liabilities shown in table 26, the State guaranteed loans taken by Government companies/corporations. These companies/corporations borrowed funds from the market/financial institutions for implementation of various State plan programmes projected outside the State budget. Although the estimates of the plan programmes of the State Government projected that funds for these programmes would be met out of resources of the companies/corporations outside the State budget, in reality the borrowings of many of these concerns were ultimately the committed liabilities of the State Government termed 'off-budget borrowings'. Though off-budget borrowings are not permissible under Article 293 (3), the State resorted to off-budget borrowings as evident by the data furnished by the Finance Department. Table 28 captures the trends in the off-budget borrowings of the State during 2001-07 while table 29 gives the entity-wise position of borrowings.

**Table 28 : Trend in off-budget borrowings**

(Rupees in crore)

Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (RE)
Amount as per MTFP <sup>^</sup>	1,533	1,388	1,129	838	1,078	845

<sup>^</sup> figures are yet to be reconciled with those of the financial institutions.

**Table 29 : Entity-wise position of off-budget borrowings**

(Rupees in crore)

Company/Corporation/Board	Off-budget borrowings			Repayment to end of 2006-07	
	upto 2005-06	During 2006-07	Total	Principal	Interest
Krishna Bhagya Jala Nigam	2,433.17	50.00	2,483.17	947.48	411.84
Karnataka Neeravari Nigam Limited	1,915.05	0.00	1,915.05	1,055.95	730.47
Karnataka Road Development Corporation	590.29	0.00	590.29	56.60	48.17
Rajiv Gandhi Rural Housing Corporation	826.62	0.00	826.62	69.59	54.76
KEONICS	60.00	54.00	114.00	67.71	43.06
Karnataka Police Housing Corporation	372.87	23.00	395.87	30.29	25.38
Karnataka Land Army Corporation	160.00	0.00	160.00	46.46	79.05
Karnataka Renewable Energy Development Limited	8.06	0.00	8.06	1.98	2.27
Cauvery Neeravari Nigam	674.55	115.00	789.55	0.00	36.44
Karnataka Residential Education Institution Society	7.63	0.00	7.63	28.91	26.11
Karnataka Small Industrial Investment Development Corporation	240.59	74.80	315.39	60.90	27.38
<b>Total</b>	<b>7,288.83</b>	<b>316.80</b>	<b>7,605.63</b>	<b>2,365.87</b>	<b>1,484.93</b>

Information as furnished by the Companies/Corporations.

Taking into account the off-budget borrowings of the State, the total liabilities at the end of March 2007 work out to Rs.62, 922 crore as against Rs.57,682 crore reflected in table 26. In view of this the ratio of fiscal liabilities to

GSDP would increase to 32 *per cent* at the end of the year. The Government's commitment according to MTFP 2007-11 is to phase out off-budget borrowings from 2008-09 by bringing them on budget.

#### 1.7.4 Debt sustainability

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

#### 1.7.5 Debt stability

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

**Table 30: Debt sustainability – interest rate and GSDP growth**

(In per cent)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average interest rate	9.1	9.4	9.4	8.5	7.6	7.7
GSDP growth	4.8	8.9	9.4	15.5	14.9	13.6
Interest spread	-4.3	-0.5	0	7.0	7.3	5.9
Quantum spread (Rs. in crore)	-1400.34	-186.17	0	3,285.80	3,813.23	3,403.24
Primary deficit (-) / primary surplus (+) (Rs. in crore)	-3,186.00	-1,990.00	-791.00	194	78	-452.00

For the period 2001-03, quantum spread together with primary deficit was negative resulting in increase in debt / GSDP ratio from 30 to 32 *per cent*. In 2004-05 and 2005-06, quantum spread together with primary deficit / surplus turned out to be positive resulting in decrease of debt / GSDP ratio to 31 *per cent* in 2006-07. These trends along with declining fiscal deficit/GSDP ratio indicated that capacity of the Government to sustain the debt has improved over the years.

#### 1.7.6 Sufficiency of incremental non-debt receipts

Another indicator of debt sustainability is the adequacy of incremental non-debt receipts of the State to meet the incremental interest burden and incremental primary expenditure. The table below gives the position of sufficiency of incremental non-debt receipts.



Table 31

(Rupees in crore)

Period	Incremental				Resource gap
	Non-debt receipts	Primary expenditure	Interest payments	Total expenditure	
1	2	3	4	5=(3+4)	6=(2-5)
2001-02	432	1,625	295	1,920	-1,488
2002-03	1,741	-399	609	210	1,531
2003-04	3,727	2,052	418	2,470	1,257
2004-05	5,793	3,563	84	3,647	2,146
2005-06	3,859	3,138	-29	3,109	750
2006-07	7,171	4,923	471	5,394	1,777

The negative resources gap in 2001-02 indicated the inadequacy of incremental revenue receipts to meet the incremental expenditure. The shift towards sustainable debt level began in 2002-03. Positive resource gap indicated the adequacy of revenue receipts to meet revenue expenditure. In 2005-06, interest expenditure declined over the previous year and incremental interest expenditure turned negative. In 2006-07, the shift towards the path of sustainability continued as the incremental revenue receipts were more than incremental revenue expenditure.

#### 1.7.7 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 32 below gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State over the last five years.

Table 32: Net availability of borrowed funds

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Internal debt</b>						
Receipts	2,969.48	3,888.52	6,531.33	6,953.68	4,994.89	2,891.48
Repayment (principal + interest)	1,193.45	1,618.53	2,523.27	2,666.13	2,910.82	3,925.98
Net fund available	1,776.03	2,269.99	4,008.06	4,287.55	2,084.07	-1,034.50
Net fund available ( <i>Per cent</i> )	60	58	61	62	42	---
<b>Loans and advances from GOI</b>						
Receipts	2,176.88	1,544.22	1,457.00	1,555.75	668.66	654.46
Repayment (principal + interest)	1,799.41	2,932.84	4,196.92	4,703.74	1,132.66	1,491.41
Net fund available	377.47	-1,388.62	-2,739.92	-3,147.99	-464.00	-836.95
Net fund available ( <i>Per cent</i> )	17	-	-	-	-	---
<b>Other obligations</b>						
Receipts	15,531.58	15,077.11	16,426.71	19,227.98	18,806.35	22,435.86
Repayment (principal + interest)	14,373.54	14,582.31	16,671.81	19,188.30	18,895.15	19,354.70
Net fund available	1,158.04	494.80	-245.10	39.68	-88.80	3,081.16
Net fund available ( <i>Per cent</i> )	7	3	-	0.2	-	14
<b>Total liabilities</b>						
Receipts	20,677.94	20,509.85	24,415.04	27,737.41	24,469.90	25,981.80
Repayment (principal + interest)	17,366.40	19,133.68	23,392.06	26,558.17	22,938.63	24,772.09
Net fund available	3,311.54	1,376.17	1,023.04	1,179.24	1,531.27	1,209.71
Net fund available ( <i>Per cent</i> )	16	7	4	4	6	5

The State Government did not raise market loans during the current year but internal debt receipts of Rs.2,891 crore were mainly on account of securities issued to NSSF (Rs.2,593 crore) and loans from NABARD (Rs.289 crore). Against these receipts, Government discharged the past debt obligations (principal plus interest) of Rs.3,926 crore resulting in negative net funds available under the debt account.

During the current year, the Government repaid GOI loans including interest amounting to Rs.1,491 crore and also discharged other obligations of Rs.19,355 crore along with interest. The net funds available on account of internal debt and loans and advances from GOI and other obligations after providing for the interest and repayments of the principal declined from 16 per cent in 2001-02 to 5 per cent in 2006-07.

## 1.8 Management of deficits

### 1.8.1 Trends in deficits

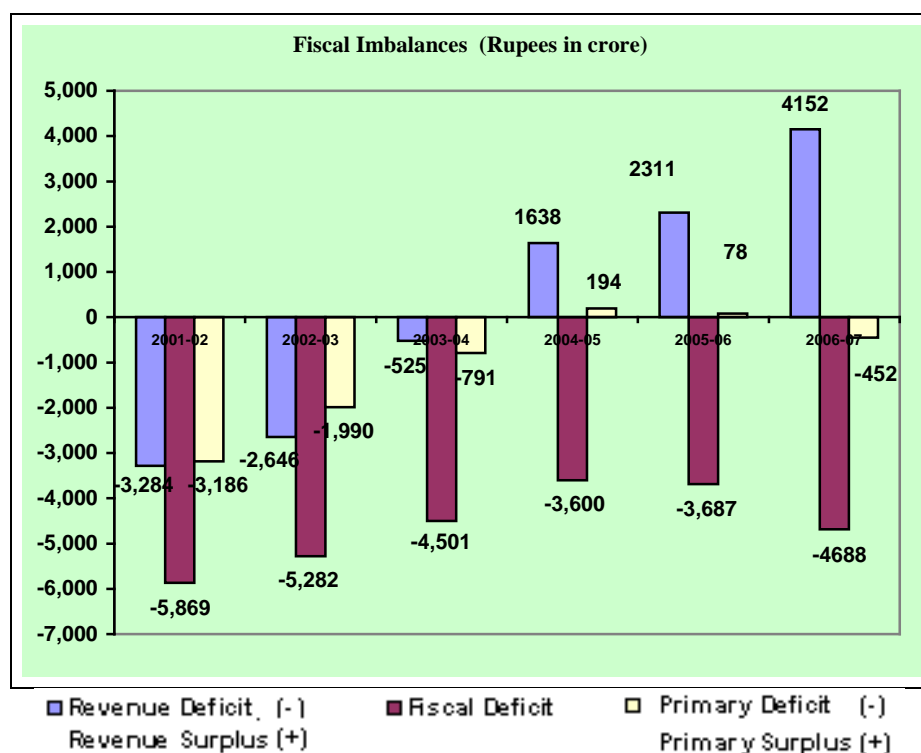
The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in table 33.

**Table 33 : Fiscal imbalances – Basic parameters**

(Amount Rupees in crore and Ratios in per cent)

Parameters	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue deficit (-) (RD) / Revenue surplus (+)	-3,284	-2,646	-525	1,638	2,311	4,152
Fiscal deficit (FD)	5,869	5,282	4,501	3,600	3,687	4,688
Primary deficit (-) (PD) / Primary surplus (+)	-3,186	-1,990	-791	194	78	-452
RD/ GSDP	3.04	2.25	0.41	---	---	---
FD/ GSDP	5.44	4.50	3.50	2.42	2.16	2.42
PD/ GSDP	2.95	1.69	0.62	0.13	0.05	0.23
RD/FD	55.9	50.1	11.7	---	---	---

Revenue surplus is the excess of revenue receipts over revenue expenditure. From 2004-05, the State's finances showed revenue surplus which increased from Rs.1,638 crore in 2004-05 to Rs.4,152 crore in 2006-07. Fiscal deficit is the excess of total expenditure over non-debt receipts (revenue receipts, recovery of loans and misc. capital receipts). Fiscal deficit increased by Rs.1,001 crore from Rs.3,687 crore to Rs.4,688 crore due to increase in capital expenditure including loans and advances (Rs.2,778 crore) and reduction of Rs.64 crore in non-debt capital receipts. The increase in revenue surplus during 2006-07 may however, be assessed keeping in view of the fact that non-tax revenue of the State is inclusive of debt waiver of Rs.358 crore each for the years 2005-06 and 2006-07 granted by the Government of India under the scheme of DCRF. This amount of debt waiver which is credited under non-tax receipts as an incentive, were adjustments on account of debt waiver in terms of the TFC by contra entry under loans and advances from the Central Government.



### 1.8.2 Quality of deficit/surplus

The ratio of revenue deficit (RD) to fiscal deficit (FD) and the decomposition of primary deficit<sup>3</sup> (PD) into primary revenue deficit<sup>4</sup> and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of RD to FD indicates the extent to which borrowed funds were used for current consumption. The ratio of RD to FD declined from 56 per cent in 2001-02 to 12 per cent in 2003-04 and thereafter the revenue account turned into surplus which has consistently increased during the last three years. This trajectory shows a consistent improvement in the quality of the deficit during 2004-07 as the borrowed funds were used in activities resulting in expansion in the asset backup of the State. Table 34 below shows the bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2001-07.

**Table 34 : Primary deficit/surplus-bifurcation of factors**

(Rupees in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure	Primary revenue deficit (-) / surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6(3+4+5)	7 (2-3)	8 (2-6)
2001-02	15,356	15,922	2,106	514	18,542	-566	-3,186
2002-03	17,097	15,523	2,936	628	19,087	1,574	-1,990
2003-04	20,824	17,575	3,029	1,011	21,615	3,249	-791
2004-05	26,617	21,138	4,674	611	26,423	5,479	194
2005-06	30,476	24,276	5,822	300	30,398	6,200	78
2006-07	37,647	29,199	8,543	357	38,099	8,448	-452

<sup>3</sup> Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit which is an outcome of the fiscal transactions of the States during the course of the year.

<sup>4</sup> Primary revenue deficit defined as gap between non interest revenue expenditure of the state and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

In 2001-02 non-debt receipts were lower than the primary revenue expenditure<sup>5</sup> and 56 per cent of borrowed funds were used for meeting current expenditure. Due to acceleration of tax revenue from 2002-03 onwards, though non-debt receipts of the State were more than the primary revenue expenditure, the surplus of non-debt receipts were not enough to meet the expenditure on capital account resulting in primary deficit which however consistently declined from Rs.3,186 crore in 2001-02 to Rs.791 crore in 2003-04. During 2004-05 and 2005-06, the non debt receipts were adequate to meet the expenditure requirements under the capital account resulting in primary surplus during these years. On account of a steep increase of Rs.2,778 crore in capital expenditure (45 per cent), primary account had indicated a marginal deficit of Rs.452 crore during the current year.

## 1.9 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 35 below presents a summarised position of Government Finances during the period 2001-2007, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their application, highlight areas of concern and captures its important facts.

**Table 35 : Indicators of fiscal health (in per cent)**

Fiscal ratios	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Resource mobilisation</b>						
Revenue receipts (RR)/GSDP	14.2	13.8	16.1	17.9	17.8	19.4
Revenue buoyancy	0.7	0.6	3.0	1.8	1.0	1.7
Own tax/GSDP	9.1	8.9	9.8	10.8	10.9	12.0
<b>Expenditure management</b>						
Total expenditure (TE)/GSDP	19.7	19.0	19.7	20.3	20.0	21.8
Revenue receipts /Total expenditure	72.2	72.2	82.0	87.9	88.8	88.8
RE/Total expenditure	87.7	84.1	84.0	82.5	82.1	79.0
Salary expenditure on social & economic services/RE	19.8	19.1	17.8	15.6	15.4	14.3
<b>Non-salary expenditure on social &amp; economic services/RE</b>	43.8	40.1	36.7	41.5	44.7	49.6
Capital expenditure (CE)/TE	10.1	13.5	12.4	15.8	17.2	20.4
CE on social & economic services/TE	9.9	13.1	11.9	15.4	16.5	19.6
Buoyancy of TE with RR	3.2	1.0	0.5	0.7	0.9	1.0
Buoyancy of RE with RR	3.4	0.2	0.5	0.6	0.9	0.8
<b>Management of fiscal imbalances</b>						
Revenue deficit (-) (RD) / Revenue Surplus (+) (Rs. in crore)	-3,284	-2,646	-525	1,638	2,311	4,152
Fiscal deficit (Rs. in crore)	5,869	5,282	4,501	3,600	3,687	4,688
Primary deficit (-)(PD)/Primary surplus (+)	-3,186	-1,990	-791	194	78	-452
Revenue deficit / fiscal deficit	55.9	50.1	11.7	---	---	---
<b>Management of fiscal liabilities</b>						
Fiscal liabilities (FL)/GSDP	30.2	31.7	32.6	31.6	30.6	29.7
Fiscal liabilities/RR	212.6	230.3	202.1	176.7	172.1	153.5
Buoyancy of FL with RR	6.6	2.6	0.4	0.4	0.8	0.4
Buoyancy of FL with own receipts	9.9	2.0	0.4	0.4	1.2	0.5
PD vis-a-vis quantum spread	2.3	10.69	-	-	-	0.13
Net fund available (%)	16	7	4	4	6	5
<b>other fiscal health indicators</b>						
Return on investment (Rs. in crore)	10.6	21.3	18.0	16.7	16.9	19.5
BCR (Rs. in crore)	(-) 879	(-) 645	1,571	4,879	5,483	9,415
Financial assets / liabilities	0.7	0.7	0.7	0.8	0.8	0.9

<sup>5</sup> Primary revenue expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from GOI. The ratio of revenue receipts to GSDP during the current year increased by around two percentage points over the previous year. During 2001-07, the ratio of own taxes to GSDP showed continued improvement.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilisation efforts. The revenue expenditure as a percentage to total expenditure showed a continuous declining trend from 88 in 2001-02 to 79 in 2006-07.

Increasing reliance on revenue receipts to finance the total expenditure which amounts to 89 *per cent* during 2005-07 indicated decreasing dependence on borrowed funds. This was also reflected by the low ratio (less than one) of fiscal liabilities to revenue receipts. Increasing proportion of plan expenditure and capital expenditure in the total expenditure also indicated improvement in both developmental and quality of expenditure. Significant increase in revenue surplus with fiscal deficit at less than three *per cent* of GSDP during 2005-07 indicated improvement in fiscal position of the State. The Balance from Current Revenue (BCR) (Rs.9,415 crore) increased by 72 *per cent* over previous year indicating availability of funds for programme spending after meeting non-plan expenditure on revenue account.

### **1.10 Conclusion**

The fiscal position of the State viewed in terms of trends in fiscal parameters-revenue and fiscal deficit/surplus showed consistent improvement during the period 2002-07. The steep increase in revenue surplus, with fiscal deficit at less than three *per cent* of GSDP over the past three years indicated the fiscal health of the State. The total non-plan revenue expenditure constituted 77 *per cent* of total revenue expenditure of which, 67 *per cent* of expenditure was on salaries, pensions, subsidies and interest payments leaving relatively less resources for effective delivery and expansion of social and economic services. Although the share of re-payment of off-budget borrowings in the State in its capital expenditure has declined in 2006-07 from the level of 35 per cent in 2005-06, yet it constituted 28 per cent during the current year. Strain on the fiscal budget of the State due to negligible returns from investments in Government companies/statutory corporations and meagre recovery of loans and advances continued to be a cause of concern.







## 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 2006-07 against 29 grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Expenditure	Unspent provision (-)/ Expenditure in excess of provision (+)
Voted	Revenue	30,730.50	4,001.58	34,732.08	29,576.46	(-)5,155.62
	Capital	7,276.01	3,199.40	10,475.41	8,679.23	(-)1,796.18
	Loans & advances	334.53	180.37	514.90	357.23	(-)157.67
<b>Total Voted</b>		<b>38,341.04</b>	<b>7,381.35</b>	<b>45,722.39</b>	<b>38,612.92</b>	<b>(-)7,109.47</b>
Charged	Revenue	4,453.36	11.72	4,465.08	4,306.64	(-)158.44
	Capital	0.30	0	0.30	0.10	(-)0.20
	Public debt	2,304.39	0	2,304.39	1,749.37	(-)555.02
<b>Total Charged</b>		<b>6,758.05</b>	<b>11.72</b>	<b>6,769.77</b>	<b>6,056.11</b>	<b>(-)713.66</b>
<b>Grand Total</b>		<b>45,099.09</b>	<b>7,393.07</b>	<b>52,492.16</b>	<b>44,669.03</b>	<b>(-)7,823.13</b>

The overall unspent provision of Rs.7,823.13 crore was the net result of unspent provision of Rs.8,306.58 crore in 29 grants/appropriations partly offset by excess expenditure of Rs.483.45 crore in five grants/appropriations (details vide Appropriation Accounts 2006-07). Detailed Appropriation Accounts were communicated to the Controlling Officers to explain the significant variations; explanations were not received (November 2007).

#### 2.3 Fulfilment of allocative priorities

##### 2.3.1 Appropriation by allocative priorities

Out of total unspent provision of Rs.8,306.58 crore, unspent provisions of more than Rs.100 crore occurred in 12 grants/ appropriation, during 2006-07. Large unspent provisions were in areas like Finance, Urban Development, Water Resources, Debt Servicing, etc as detailed in the table below:



(Rupees in crore)

Sl. No	Grant	Provision	Expenditure	Unspent provision
1	1-Agriculture and Horticulture Revenue Voted	1,259.30	870.37	388.93
2	3-Finance Revenue Voted	6,371.00	4,073.65	2,297.35
3	5-Home and Transport Revenue Voted	1,728.80	1,530.62	198.18
4	6-Infrastructure Development Capital Voted	386.54	261.19	125.35
5	7-Rural Development and Panchayat Raj Capital Voted	1,131.88	743.66	388.22
6	11-Women and Child Development Revenue Voted	844.18	640.13	204.05
7	17-Education Revenue Voted	5,834.11	5,638.85	195.26
8	19-Urban Development Revenue Voted	3,507.35	2,415.03	1,092.32
9	20-Public Works Revenue Voted Capital Voted	1,767.11 2,273.94	1,348.98 2,041.22	418.13 232.72
10	21-Water Resources Capital Voted	4,860.70	4,118.54	742.16
11	22-Health and Family Welfare Revenue Voted	1,387.20	1,159.12	228.08
12	29-Debt Servicing Revenue Charged Capital Charged	4,366.02 2,304.39	4,236.40 1,749.37	129.62 555.02
	<b>Total</b>	<b>38,022.52</b>	<b>30,827.13</b>	<b>7,195.39</b>

Major heads of account under which major part of the provisions remained unspent in these 12 grants / appropriation are detailed in **Appendix 2.1**.

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

***Home and Transport department***

- ❖ Unspent provision of Rs.53.86 crore under the major head '2055' was due to non-finalisation of tenders in respect of works relating to modernization of police force.
- ❖ Non-commissioning of fire stations/non-recruitment of fire force personnel was the reason for unspent provision of Rs.11.79 crore under the major head '2070'.
- ❖ Non-utilisation of Rs.30.41 crore provided under major head '3055' towards subsidy payable to transport corporations to meet expenditure on wage settlement was due to non receipt of demand for the purpose during the year.

***Rural Development and Panchayat Raj department***

- ❖ Non-utilisation of Rs.170.50 crore (out of unspent provision of Rs. 343.84 crore) under the major head '4215' was on account of delay in execution of rural water supply scheme due to re-tendering of the works.
- ❖ Unspent provision of Rs.24.77 crore under the major head '4515' was due to non-receipt of expected number of projects from the local bodies for implementation of 'suvarna gramodaya scheme'.

**Urban Development department**

- ❖ Unspent provision of Rs.42.93 crore under the major head '2215' was on account non-receipt of Government of India's share.
- ❖ Non-receipt of approval of Planning Commission for Externally Aided Projects was the reason for unspent provision of Rs.972.19 crore under the major head '2217'.

**2.3.2** There were unspent provisions (Rs. 101.79 crore) in 22 cases relating to seven grants due to non / short / late release of funds and non / late receipt of sanctions from Government (**Appendix 2.2**). These unspent provisions were surrendered on the last day of the financial year.

**2.3.3 Persistent unspent provisions**

In 42 cases relating to nine grants there were persistent unspent provisions of Rs.0.25 crore and above during last three years (**Appendix 2.3**).

**2.3.4 Surrender of unspent provisions**

According to rules framed by Government, the departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. However, out of total unspent provision of Rs.7,737.30 crore<sup>♦</sup> in 28 grants/appropriations, Rs.2,571.18 crore (33 per cent) were surrendered on the last day of the financial year. Unspent provision of Rs.5,166.12 crore (67 per cent) remained un-surrendered (**Appendix 2.4**).

**2.4 Excess expenditure requiring regularisation**

**2.4.1** As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess expenditure over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.8,019.74 crore for the years 1989-90 to 2005-06 was yet to be regularised (November 2007) (**Appendix 2.5**).

**2.4.2** Details of excess expenditure of Rs.483.45 crore incurred against five grants/appropriations during 2006-07 required to be regularized are given below:

(Amount in Rupees)

Sl. No.	Grant & Section	Provision	Expenditure	Excess
1	<b>8-Forest, Ecology and Environment</b> Capital Voted	3,46,25,000	6,21,76,703	2,75,51,703
2	<b>14- Revenue</b> Revenue Voted Capital Voted	14,25,79,25,000 7,21,00,000	18,24,17,76,151 14,41,57,561	3,98,38,51,151 7,20,57,561
3	<b>15-Information Technology</b> Capital Voted	16,70,00,000	20,37,16,803	3,67,16,803
4	<b>18-Commerce and Industries</b> Revenue Voted	12,71,83,63,000	13,42,26,26,918	70,42,63,918
5	<b>24-Energy</b> Revenue Charged	70,00,000	1,70,00,000	1,00,00,000
	<b>Total</b>	<b>27,25,70,13,000</b>	<b>32,09,14,54,136</b>	<b>4,83,44,41,136</b>

<sup>♦</sup> Excludes Rs.569.13 crore surrendered in excess in three grants and Rs.0.15 crore surrendered in full in one grant.

### 2.4.3 *Persistent excesses*

There were 12 cases of persistent excess expenditure over provision in four grants during last three years (**Appendix 2.6**).

## **2.5 Unnecessary/insufficient/excessive supplementary provision**

Supplementary provision (Rs.7,393.07 crore) made during the year constituted 16 *per cent* of the original provision (Rs.45,099.09 crore) as against 12 *per cent* in the previous year.

**2.5.1** Supplementary provision of Rs.302.92 crore made under 66 detailed/object heads relating to 21 grants/appropriation proved unnecessary (**Appendix 2.7**).

**2.5.2** Under 27 detailed heads relating to 13 grants/appropriation supplementary provision of Rs.192 crore obtained proved insufficient leaving uncovered excess expenditure of Rs.114.79 crore (**Appendix 2.8**).

**2.5.3** Under 31 detailed heads relating to 17 grants/appropriation supplementary grant of Rs.782.32 crore obtained proved excessive resulting in unutilised provision of Rs.254.48 crore (**Appendix 2.9**).

## **2.6 Re-appropriation of funds**

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

### **2.6.1 *Injudicious re-appropriation of funds***

In 41 cases, re-appropriation of funds was made injudiciously resulting either in un-utilised provisions or excess over provision of more than Rs.0.25 crore in each case (**Appendix 2.10**). Of these:

- in four cases, additional funds of Rs.283.88 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the provision by Rs.12.94 crore.
- in 19 cases, the unutilised provisions were not properly assessed as even after the withdrawal of Rs.337.08 crore through re-appropriation, Rs.158.49 crore remained unutilised.
- in 13 cases, additional funds of Rs.42.41 crore provided by re-appropriation resulted in unutilised provision of Rs.22.38 crore and the re-appropriation proved excessive.

- in five cases, the withdrawal of Rs.12.57 crore through re-appropriation resulted in as the final expenditure exceeding the net provision by Rs.13.25 crore.

### **2.6.2 Defective re-appropriation**

During 2006-07, 191 re-appropriation orders involving an amount of Rs.972.03 crore were issued of which, 48 re-appropriation orders for Rs.21.29 crore were not considered in accounts. These orders were found either exceeding the power of sanction or involved items of new service or not signed by competent authority or not having prior approval of Finance Department. Illustrative cases are listed in (**Appendix 2.11**).

### **2.7 Un-reconciled expenditure**

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

During 2006-07, out of 224 Chief Controlling Officers, 77 officers had not reconciled expenditure of Rs.20,221.78 crore (48 *per cent* of the expenditure of Rs.41,662.12 crore incurred by them).

### **2.8 Errors in budgeting**

Six cases of error in budgeting involving an amount of Rs.110.69 crore were noticed. (**Appendix 2.12**).

### **2.9 Rush of expenditure**

The financial rules require that expenditure should be evenly distributed throughout the year. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure for the four quarters and also for the month of March 2007 as depicted in **Appendix 2.13** shows that the expenditure incurred in March 2007 in 23 cases ranged between 30 and 100 *per cent* of the total expenditure during the year.

### **2.10 New service/New instrument of service**

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

In 29 cases involving eight grants, expenditure totalling Rs.198.61 crore which should have been treated as 'New Service/New Instrument of Service' was met without the approval of the Legislature (**Appendix 2.14**).

## **2.11 Expenditure without budget provision**

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs.29.65 crore was incurred without provision either in original or in supplementary demand in 18 cases involving seven grants test-checked in audit (**Appendix 2.15**).

## **2.12 Contingency Fund**

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

During 2006-07, 22 sanctions aggregating Rs.75.84 crore were issued. Of these, in seven cases, sanction for advances obtained was in excess of the amount required. The amount drawn in these cases ranged between 35 and 87 per cent of the amount sanctioned (**Appendix 2.16**).

## **2.13 Abstract Contingent Bills**

### **2.13.1 Introduction**

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

Audit conducted review of 7416 AC bills covering Rs.42.26 crore drawn during 2002-2007 by 57 DDOs of six<sup>1</sup> departments in 11 districts<sup>2</sup> during February to May 2007. Important points noticed are brought out in the succeeding paragraphs.

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<sup>1</sup> Education [Technical Education(Polytechnic)], Finance [Commercial Taxes], Home & Transport [Jails], Kannada & Culture [Art & Culture], Labour & Employment [ITI], Revenue [Election]

<sup>2</sup> Bangalore (Urban), Belgaum, Bellary, Bijapur, Dharwar, Gulbarga, Hubli, Karwar, Mysore, Raichur, Shimoga

### 2.13.2 Non- submission/delayed submission of Detailed Bills

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

As of May 2007, 37 of the 57 DDOs of the test checked departments had not submitted detailed bills for Rs 8.22 crore drawn on 500 AC bills to their Controlling Officers as detailed below:

(Rupees in crore)

Department	Number of DDOs	Number of AC bills	Amount
Education (Technical Education -Polytechnic)	02	30	0.06
Home and Transport (Prisons)	03	139	0.06
Finance (Commercial Taxes)	01	21	3.43
Kannada and Culture (Art & Culture)	04	94	2.30
Labour & Employment (ITI's)	06	68	0.23
Revenue (Election)	21	148	2.14
<b>Total</b>	<b>37</b>	<b>500</b>	<b>8.22</b>

Of these, 298 bills for Rs.5.23 crore drawn between August 2004 and March 2007 submitted by the DDOs were pending with the Controlling Officers, while 202 bills for Rs.2.99 crore drawn between March 2003 and December 2006 were yet to be forwarded to the Controlling Officers by the DDOs. The Departmental officers did not furnish reasons for pendency.

Further, in the departments test checked, there were delays upto three years in forwarding the detailed bills for Rs.19.59 crore drawn on 4841 AC bills by 47 DDOs during 2002-07 to the AG (A&E) as detailed below:

(Rupees in crore)

Delay up to	Number of AC bills	Amount
One month	1546	5.77
Six months	2485	8.48
One year	631	2.77
Two years	154	2.55
Three years	25	0.02
<b>Total</b>	<b>4841</b>	<b>19.59</b>

The delay was due to drawal of funds far in advance of requirement.

### 2.13.3 Delay in remittance of unspent amount

In Prisons Department, the entire amount of Rs.97 lakh drawn on an AC Bill in February 2004 by the Deputy Inspector General of Central Prison, Bangalore was remitted to the Government account in March 2006. The amount drawn for installation of Cellular Jammer System in the Central Prison was kept in personal deposit account. This resulted in locking up of Government funds for two years. The DDO stated (March 2007) that the amount could not be utilised as the Cellular Jammer System imported from Russia did not meet the requirements and the efforts to import the equipment

from a supplier in Israel also failed due to restrictions imposed by Customs authorities.

#### **2.13.4 Non-observance of procedures by Controlling Officers and Treasury Officers**

Based on observations in earlier Audit Reports, the State Government, for streamlining the procedure of drawal of AC bills and their settlement, directed (September' 2004) the Controlling Officers to route all detailed 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. Audit scrutiny revealed that these directions were not followed in the test checked districts as detailed below:

Detailed bills for Rs.8.33 crore drawn on 2256 AC bills by 43 DDOs between October 2004 and March 2007 were not routed through respective treasuries. Instead, Controlling Officers forwarded (2002-07) these bills after counter signature directly to the AG (A&E) as detailed below:

(Rupees in crore)

Department	Number of DDOs	Detailed bills not routed through treasuries	
		Number	Amount
Education (Technical Education -Polytechnic)	02	173	0.25
Home and Transport (Prisons)	04	1035	1.25
Kannada and Culture (Art & Culture)	05	455	0.38
Labour & Employment (ITI's)	09	297	0.78
Revenue (Election)	23	296	5.67
<b>Total</b>	<b>43</b>	<b>2256</b>	<b>8.33</b>

Treasury Officers<sup>3</sup> in violation of the procedure honoured 1937 AC bills of 42 DDOs for Rs.6.84 crore between November 2004 and March 2007 though 319 AC bills amounting to Rs.1.51 crore drawn by them earlier were outstanding for settlement.

#### **2.13.5 Splitting of AC bills to avoid sanction from higher authority**

DDOs were required to obtain permission of Finance Department for drawal of AC bills for amounts exceeding Rupees one lakh. However, 11 DDOs of the Labour & Employment Department preferred split up bills to avoid recourse to Finance Department for approval. The amounts so drawn on 165 AC bills during 2005-07 aggregated Rs.1.61 crore.

The matter was reported to Government in August 2007; reply had not been received (October 2007).



<sup>3</sup> Bangalore (Urban), Belgaum, Bellary, Bijapur, Dharwar, Hubli, Karwar, Mysore, Raichur, Shimoga



**CHAPTER III**  
**PERFORMANCE AUDIT**

- **3.1 Modernisation of State Police Force**
- **3.2 Implementation of Urban Poverty Alleviation and Town Development Schemes by Director of Municipal Administration**
- **3.3 IT systems of Bangalore Water Supply and Sewerage Board**
- **3.4 Computerisation of Land Records in Karnataka – BHOOMI**
- **3.5 Afforestation programme including compensatory afforestation**
- **3.6 Working of the Karnataka Residential Educational Institutions Society, Bangalore**
- **3.7 Administration and Utilisation of Calamity Relief Fund**
- **3.8 Grant-in-Aid for Technical Education**





## CHAPTER III

### PERFORMANCE AUDIT

This Chapter presents performance audit on 'Modernisation of State Police Force', 'Implementation of Urban Poverty Alleviation and Town Development Schemes by Director of Municipal Administration', 'Information Technology Systems of Bangalore Water Supply and Sewerage Board', 'Computerisation of land records in Karnataka- BHOOMI' and 'Afforestation programme including compensatory afforestation'. Besides, there are three long paragraphs on 'Grant-in-Aid for Technical Education', 'Administration and Utilisation of Calamity Relief Fund', and 'Working of the Karnataka Residential Educational Institutions Society'.

### HOME DEPARTMENT

#### 3.1 Modernisation of State Police Force

##### Highlights

*Modernisation of State Police Force Scheme approved by Government of India as a Centrally assisted scheme aimed at providing additional infrastructure to improve the efficiency of the State police forces. The implementation was not effective due to lack of planning, coordination and monitoring. The basic infrastructure could not improve to the expected level despite spending substantial sums of money.*

There were savings of Rs.104.49 crore from the State share of funds during 2002-07 (except 2005-06) due to delay in tendering process and obtaining permission for import of weapons. There was an unspent balance of Rs.22.10 crore (2006-07) from the Central share due to their release at the fag end of the year.

(Paragraph 3.1.6)

The operationalisation of communication and computerisation projects could not be ensured due to lack of coordination with the executing agencies and inadequate monitoring despite spending Rs.26.18 crore on this component.

(Paragraph 3.1.9)

Modernisation of Forensic Science Laboratories and Fingerprint Bureaux in the State was not effective despite procuring sophisticated equipment for want of adequate trained personnel.

(Paragraph 3.1.10)

Only 17.21 per cent of 1,406 modern weapons procured in the test-checked districts of Mysore and Tumkur were distributed to the police stations.

(Paragraph 3.1.11)

**Equipment viz. mini crime scopes, mass spectrometers, auto analysers, uninterrupted power supply systems, fax machines, etc., costing Rs.2.96 crore were lying idle either in the absence of trained staff/consumables or were not required for immediate use.**

**(Paragraph 3.1.12)**

**The training infrastructure did not improve substantially due to delay/non-completion of the infrastructural works taken up by the Department.**

**(Paragraph 3.1.13)**

**Monitoring of the implementation of the scheme was not effective.**

**(Paragraph 3.1.14)**

### **3.1.1 Introduction**

Ministry of Home Affairs (MHA), Government of India (GOI) introduced (1969) the scheme of Modernisation of Police Forces (Scheme) to provide additional infrastructure to the State police to improve its efficiency. The scheme was extended (February 2001) for a further period of 10 years from 2000-01. The major portion of the funds was to be spent on construction of safe police stations, outposts and in improving housing of the upper and lower subordinate officials. The scheme also aimed at providing modern weaponry, improving mobility, communication, security, forensic science equipment and training facilities in the Police Department.

### **3.1.2 Organisational set-up**

Principal Secretary to Government of Karnataka, Home Department is the administrative head and the Director General and Inspector General of Police (DG&IGP) was in charge of the implementation of the scheme. The DG&IGP was assisted for this purpose by two Additional Directors General (ADGP), an Inspector General (IGP), two Deputy Inspectors General (DIG), the Director of Forensic Science Laboratory (FSL) and a Superintendent of Police (SP), Finger Print Bureau (FPB) at Head Quarters besides Commissioners of Police (CoP) and SPs in field formations. A State Level Empowered Committee (SLEC) was functioning to oversee the implementation of the Scheme.

### **3.1.3 Audit objectives**

The audit objectives were to assess whether:

- the funds provided for the scheme were utilised effectively and efficiently;
- the planning for implementation of various components of modernisation was need based and efficient;
- all the components such as construction of residential and non-residential buildings, supply of modern weaponry, improvement in

mobility communication and computerisation were implemented efficiently; and

- the scheme was monitored effectively.

### **3.1.4 Audit criteria**

The audit criteria were:

- the scheme guidelines issued by GOI;
- Annual Action Plans approved by GOI including minutes of High Powered Committee meetings; and
- Government Circulars issued for scheme implementation.

### **3.1.5 Scope and methodology of audit**

The implementation of the scheme during the period 2002-07 was reviewed in audit (February-May 2007) by test-checking the records in the offices of the Principal Secretary, DG&IGP, the ADGP (Transport, Telecommunication and Modernisation-TTM), ADGP (Police Computer Wing), ADGP (Karnataka State Reserve Police-KSRP), DIG (Wireless), IGP (Training), Director (FSL) and SP (FPB). Besides, the records of the SPs in nine<sup>1</sup> districts, 131 out of 851 police stations, three CoP (Bangalore, Hubli-Dharwad and Mysore) and six Training Centres were also test-checked by simple random sampling method. The audit objectives were discussed during an entry conference with the ADGP (TTM) on 29 January 2007. The audit findings were discussed with the Principal Secretary to Government, Home Department and the DG&IGP during the exit conference held on 3 October 2007. The Principal Secretary agreed to examine the audit observations and take follow-up action.

### **Audit findings**

### **3.1.6 Financial management**

As per the approved funding pattern of the scheme, the Central and State Governments were to share the expenditure in the ratio of 50:50 up to the end of 2002-03, 60:40 from 2003-04 to 2004-05 and at 75:25 with effect from 2005-06. The State's share of funds was specifically earmarked for construction of residential and non-residential buildings and to modernise the police computer wing. The total receipts and the expenditure on the scheme during the period 2002-07 were as follows:

<sup>1</sup> Bangalore, Belgaum, Bijapur, Dakshina Kannada, Dharwad, Gulbarga, Hassan, Mysore and Tumkur

**Table 1: Receipt and Expenditure**

(Rupees in crore)

Year	Cost of the project as per approved Action Plan			GOI Share; Receipts and expenditure			Budget allotment by the State Government and expenditure		
	GOI share	State share	Total	Receipts*	Expenditure	Unspent balance	Allotment	Expenditure	Excess (+)/ Savings (-)
2002-03	80.01	80.01	160.02	75.00	75.00	-	5.50	-	(-) 5.50
2003-04	86.32	57.55	143.87	70.00	70.00	-	82.44	69.85	(-) 12.59
2004-05	86.37	57.58	143.95	58.86	58.86	-	66.77	57.06	(-) 9.71
2005-06	108.59	36.20	144.79	47.49	47.49	-	47.54	85.73	(+) 38.19
2006-07	56.04	18.68	74.72	64.14	42.04	22.10	113.11	36.42	(-) 76.69
<b>Total</b>	<b>417.33</b>	<b>250.02</b>	<b>667.35</b>	<b>315.49</b>	<b>293.39</b>	<b>22.10</b>	<b>315.36</b>	<b>249.06</b>	<b>(-) 66.30</b>

\* The receipts include funds released by GOI directly to KSPHC, KLAC and Ordnance Factory, Kolkata

**Savings in GOI funds (2006-07) were due to release of funds at the fag end of the year and those out of State share of funds were due to procedural delays involved**

While the savings out of the Central share of funds during the year 2006-07 were attributed by the Government to the release of funds at the fag end of the financial year, the savings out of State's share were stated to be due to delay in completion of tendering process, procedural delays in obtaining permission for importing weapons, etc. during the years 2002-05 and 2006-07.

Of the State share of Rs.315.36 crore, Rs.169 crore was raised as loan by the Karnataka State Police Housing Corporation (KSPHC), from the Housing Development Finance Corporation (HDFC) and the Housing and Urban Development Corporation (HUDCO) for construction of the residential (Rs.45 crore) and non-residential buildings (Rs.124 crore) respectively. The State Government stood guarantee to these loans.

### 3.1.6.1 Diversion of funds

**Rs.3.23 crore was irregularly diverted out of scheme funds for items not approved under the scheme**

As per the guidelines of GOI, approval of SLEC was necessary for incurring expenditure on unapproved items of work falling within the same component (viz. buildings, mobility, etc.). However, approval of GOI (High Powered Committee) was required to divert funds from one component to incur expenditure on approved items falling under another component. It was observed that Rs.3.23 crore meant for construction of a Commando Training School at Devanahalli and Regional FSL at Belgaum, setting up an encrypted mail (enmail) communication system and procurement of a vehicle explosive detector was diverted for construction of buildings and providing indoor firing range at Kudlu (Rs.1.80 crore), setting up a DNA centre (Rs.43 lakh), procurement of generators (Rs.30 lakh) and other equipment (Rs.70 lakh) without obtaining the approval of the High Powered Committee of GOI as it involved different project components.

### 3.1.7 Planning

**Perspective plans were not approved by GOI**

The GOI while approving the scheme stipulated (February 2001) that the State Government would submit a five-year perspective plan of modernisation of their police force starting from 2000-01. An Annual Action Plan (AAP) was also required to be formulated and got scrutinised by the SLEC. The release of Central assistance was subject to approval of the AAP by the GOI. The SLEC was constituted (June 2001) by the Government with the Chief

Secretary as the Chairperson and the Principal Secretaries, Home Department and Finance Department as well as the DG&IGP as its members. The ADGP (TTM) was the nodal officer for coordinating the implementation of the various components of the scheme.

Records disclosed that perspective plan, as prescribed by GOI, was not got approved by the Ministry of Home, GOI before implementing the scheme. AAPs were, however, got approved each year.

### **Execution of scheme works**

The Department executed works relating to construction of residential and non-residential buildings, communication and computerisation besides procuring arms and equipment for modernisation of the State Police Force. These works could not be completed in time due to lack of coordination and monitoring as detailed below:

### **3.1.8 Construction of residential and non-residential buildings**

Construction of residential and non-residential buildings was funded by both Central and State Governments.

#### **3.1.8.1 Buildings constructed out of State funds**

The scheme provided for construction of 469 non-residential and 5,000 residential buildings at an estimated cost of Rs.124 crore and Rs.180 crore respectively. The construction was sanctioned in November 2000 and March 2003 for completion by March 2005 and March 2006 respectively. The KSPHC entrusted with the job, raised a loan of Rs.45 crore for residential buildings and Rs.124 crore for non-residential buildings from the HDFC and the HUDCO respectively on the guarantee given by the State Government. Of the 5,000 quarters, the KSPHC had completed 3,134 quarters and construction of 1,777 quarters was in progress while the work on the remaining 89 quarters had not been taken up (April 2007). The total expenditure incurred on residential buildings was Rs.140.90 crore. Of the 3,134 quarters completed, the Department had taken possession of 3,080 quarters and allotted 3,053 quarters to its personnel. Out of 469 non-residential buildings, 458 buildings had been completed and of the remaining 11 buildings eight were awaiting completion and three works were yet to be taken up for execution. These included the proposed new office building of CoP, Bangalore and State Intelligence Bureau. The total expenditure incurred on non-residential buildings was Rs.101.83 crore (April 2007).

**Delay in furnishing guarantee to the loans by the State Government delayed the completion of residential/non-residential buildings**

Records disclosed that although the State Government sanctioned the non-residential buildings in November 2000, the guarantee to raise HUDCO loans by KSHPC was given by them only during 2003-04 and in respect of residential buildings only during 2004-05. Consequently, the mobilisation of funds was delayed. The delay in completion of buildings was attributed by the Government (October 2007) to the belated release of funds and non-availability of sites for some of the residential buildings. Government also stated (October 2007) that there would not be any cost overrun due to delay in

completion of these works. It, however, did not spell out the measures taken for containing the cost overrun.

### 3.1.8.2 Buildings/civil works out of GOI funds

There was undue delay in commencement/completion of the following non-residential buildings entrusted to the Karnataka Land Army Corporation (KLAC) during the period 2001-07 as detailed in the table below:

**Table 2: Delay in completion of civil works**

(Rupees in lakh)

Five civil works in respect of which Rs.4.14 crore were advanced to Karnataka Land Army Corporation during March 2001- November 2004 were yet to be completed

Sl. No.	Name of the work	Original/Revised estimated cost	Date of entrustment/ expected completion	Amount deposited with KLAC and date	Status of work as on March 2007
1.	Construction of Regional Forensic Laboratory at Belgaum	50.00/ 68.75	July 2002/ September 2003	50.00 (March 2001)	Work not completed due to non-release of balance amount of Rs.18.75 lakh to KLAC.
2.	Construction of Training Complex at Police Training Centre, Gulbarga	175.00/ 186.29	March 2004/ October 2005	175.00 (March 2004)	Work still incomplete due to non-release of Rs.11.29 lakh to KLAC.
3.	Construction of Magazine Building at five Training Institutes	20.00	2004-05/ Due date not fixed	20.00 (April 2004)	Two institutes yet to be completed.
4.	Laying driving track at Police Driving & Maintenance School, Yelahanka	135.00	March 2003/ July 2004	135.00 (June 2003)	Work not completed due to diversion of funds to other works as ordered by the Department.
5.	Construction of barracks at KSRP III Battalion, Bangalore	34.00	April 2004/ September 2005	34.00 (April 2004)	Work was reported to be nearing completion.
<b>Total</b>		<b>444.04</b>		<b>414.00</b>	

The works were thus lingering for the last two to four years despite depositing Rs.4.14 crore with the KLAC.

### 3.1.9 Communication and computerisation

The Department took up (2002-07) various communication and computerisation works such as providing an integrated satellite based Police Telecommunication Network (POLNET), encrypted mail communication system to ensure faster and secured communication of data/message by sending encrypted messages between major cities, *etc.* besides setting up a multi purpose control room with infrastructural facilities for all purposes

including disaster management. The computerisation projects involved, *inter alia*, developing a Common Integrated Police Application (CIPA) software to computerise the working of all the police stations in the State and another software called 'Police IT Software' to comprehensively cover all the activities of the Department. The total expenditure incurred on communication and computerisation was Rs.90.24 crore (March 2007).

### 3.1.9.1 POLNET project

The Modern Police Communication Network (POLNET) on which Rs.2.22 crore had been spent was not operational even two years after its scheduled date due to technical snags

This project aiming at integrating all police stations through better voice, fax and data transmission capabilities was approved (August 2002) by GOI and Rs.4.02 crore was released during the period August 2002 to March 2006. The project was entrusted (June 2004) to Bharat Electronics Limited, Ghaziabad, Uttar Pradesh for implementation within two years which was later extended by another year. The project covered only 21 districts and an expenditure of Rs.2.22 crore had been incurred up to the end of March 2007. Records revealed that the project was not yet operational due to technical snags in the system and the staff not being fully trained in voice/data/fax transmission techniques.

### 3.1.9.2 "Dial-100" scheme

The Police helpline set up and maintained at a cost of Rs.1.16 crore for emergency purposes was not used effectively

This scheme aimed at enabling the general public to contact the police control room in case of emergency and also to identify the caller was approved (2002-03) by GOI at a cost of Rs.60 lakh. The scheme was commissioned in June 2006 at a cost of Rs.1.16 crore and the system was maintained round the clock. It was, however, noticed that 96 *per cent* of the calls (27.25 lakh) by the general public during 2006-07 were of general nature and the genuine emergency calls were only 1.26 lakh. Action to create general awareness among the public to prevent misuse of the system was not taken by the Department.

### 3.1.9.3 Common Integrated Police Application (CIPA) System

An integrated police application software project was yet to be commissioned despite spending Rs.8.38 crore

The CIPA System was approved by the GOI during 2004-05 and Rs.15.23 crore was released during 2005-07 to implement the scheme in two phases. While the National Informatics Centre (NIC) was to provide the necessary software and coordinate the implementation of the CIPA, the KSPHC was entrusted the job of procuring hardware. Infrastructure such as providing electrification, computer tables and chairs and other furniture was to be procured by the Department at Rs.28,000 per police station under Phase-I and at Rs.30,000 per police station under Phase-II.

NIC had neither developed the required software nor the KSPHC supplied the computers. The KSPHC had already been paid Rs.6.69 crore for the work (March 2006). A further sum of Rs.1.69 crore was spent on providing the infrastructure. The system had not been commissioned as testing of hardware and development of software was stated to be under progress (October 2007). No date for supply of software and hardware by the NIC and KSPHC had been stipulated by the Department. Consequently, the project was lying incomplete even after three years of its sanction.



#### **3.1.9.4 Police IT Software Project**

**Enhancement of the scope of IT software after its entrustment delayed completion of the project on which an expenditure of Rs.13.28 crore had been incurred**

A comprehensive software project covering all the activities of the Department was approved (November 1999) by Government of Karnataka (GOK) at a cost of Rs.16.35 crore. The project was to be commissioned within three years (2002-03). The Department procured the required hardware for the project (2000-03) at a cost of Rs.11.95 crore and the development of the software was entrusted (December 2003) to WIPRO Limited at a cost of Rs.1.90 crore with a stipulation to complete the work by April 2005. A core group was constituted (January 2004) to closely monitor the software development and ensure the project implementation as scheduled.

WIPRO was yet to develop the software required for the project despite receiving the payment of Rs.1.33 crore in advance. The delay was stated by the Government (October 2007) to be due to enhancing the scope of IT software to cover all aspects of police functioning right from police station to police headquarters. Belated enhancement of the scope of the project delayed completion of the project. The obsolescence of the hardware procured during 2002-03 (Rs.11.95 crore) by the time project is commissioned could not be ruled out.

#### **3.1.9.5 Electronic Beat System**

The GOI sanctioned (March 2003) implementation of electronic beat system to replace the existing manual beat system in civic areas to protect the life and property of the public. The system was got installed in 123 police stations at a cost of Rs.1.14 crore through an IT firm. The system could not be utilised effectively due to its frequent breakdowns/repairs. The company, which supplied the system wound up operations during 2005-06. Consequently, the Department was utilising the existing manual beat system rendering the expenditure of Rs.1.14 crore on the electronic system unfruitful. Government replied (October 2007) that the maintenance of the system would be entrusted to any other company shortly to realise the objective of e-beat System.

#### **3.1.10 Modernisation of Forensic Science Laboratories (FSL) and Finger Print Bureaux (FPB)**

**Modernisation of Forensic Science Laboratories and the Finger Print Bureaux was not effective due to inadequate trained personnel**

The State FSL at Bangalore and five<sup>2</sup> Regional FSLs were set up in the State to help in generating scientific evidence for criminal justice delivery system. There were 29 FPBs in the State. The scheme envisaged to modernise both the FSLs and FPBs by inducting sophisticated equipment and the trained personnel. The Department purchased equipment, eight mobile forensic vans and five accident recovery cranes besides setting up a DNA centre at Bangalore.

Records, however, disclosed the following:

- The FSL at Bangalore and the five Regional FSLs had a working strength of only 63 scientific personnel against the sanctioned strength of 146 posts. Due to severe shortage of scientific personnel, the percentage of cases

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<sup>2</sup> Belgaum, Davanagere, Gulbarga, Mangalore and Mysore

disposed of during the period 2002-07 was in the range of 45 to 74 *per cent* only. The Department had also not fixed any time limit for disposal of a case by the FSL.

- The post of a finger print expert was vacant for the last five years in seven<sup>3</sup> FPBs despite providing sophisticated equipment such as mini crime scopes, dust mark lift kit, *etc.*, thereby defeating the objective of modernisation of these FPBs.
- Eight<sup>4</sup> mobile forensic vans and five<sup>5</sup> accident recovery cranes in the test-checked districts procured at a cost of Rs.1.65 crore under the scheme were idle as seen from their log books. These vans could not be put to use for want of personnel trained in forensic evidence gathering and the cranes were not required as stated by the SPs in these test-checked districts.
- The Audio Video Laboratory approved by the GOI (2005-06) at a cost of Rs.51 lakh<sup>6</sup> for examining audio video tapes involved in crimes for their authentication was not set up despite availability of funds due to delay in developing the professional software.
- The DNA Centre approved (2001-02) for the FSL at Bangalore at a cost of Rs.three crore was not made operational even at the end of March 2007 due to non-supply/installation of equipment by the Centre for Human Genetics to whom Rs.2.60 crore were paid (June 2004) for the purpose.

Modernisation of the FSL and the FPB was not effective due to inadequate trained personnel, delay in development of professional software, *etc.*

### 3.1.11 Weaponry

**Only 17.21 per cent of the modern weapons procured under the scheme had been distributed to the police stations**

As per the norms laid down by Bureau of Police Research and Development (BPR&D), the total requirement of different types of weapons (considering those already existing with the State Police) for the State was 23,830, to be procured over a period of five to seven years commencing from 2000-01. Out of this, the Department had received 13,487 numbers of different types of weapons and distributed 10,776 weapons to various police units and police training centres as of March 2007.

Bulk of the weapons supplied (10,651) to the police units were retained in the armoury of District Armed Reserve and City Armed Reserve without distributing these to the police stations as per the BPR&D norms. In the test-checked police units of CoP-Mysore, SP-Mysore and SP-Tumkur, the total number of different types of arms to be procured for 81 police stations was 2,236 (as per norms) against which 1,406 weapons were received by the three police units and only 242 weapons (17.21 *per cent*) had been distributed

<sup>3</sup> Bagalkot, Belgaum, Chitradurga, Kodagu, Koppal, Haveri and Uttara Kannada

<sup>4</sup> SPs of the Districts of Belgaum, Bijapur, Dakshina Kannada, Dharwad, Gulbarga, Hassan, Mysore and Tumkur

<sup>5</sup> SPs of the Districts of CAR-Bangalore, Dharwad, Gulbarga, Hassan and Mysore

<sup>6</sup> Rs.11 lakh for supply of speech laboratory and Rs.40 lakh for development of professional software

to the police stations. The heads of the police units attributed (March/April 2007) non-supply of weapons to non-receipt of ammunition and non-imparting of training to the police personnel. The Department, thus, did not ensure supply of weapons to the police stations as per the prescribed norms.

### 3.1.12 Idle Equipment

**Equipments worth Rs.2.96 crore remained idle for one to seven years for various reasons**

Equipment procured (2000-06) at a cost of Rs.2.96 crore were lying idle for want of consumables and trained personnel or were not required for immediate use as detailed in the table below:

Sl. No.	Particulars of items	year of purchase	Quantity purchased	Cost (Rs.in lakh)	Reasons for non-utilisation
1.	Fax machines	2002-06	234	33.41	Out of 234 machines, only 171 were supplied to police stations and the remaining were lying in stores. None of the machines supplied was used for want of consumables likes cartridges, toners.
2.	Power Generators	2004-05	101	12.96	Out of 101 generators, only 29 were supplied to police stations.
3.	Web cameras	2005-06	109	1.33	Not forthcoming
4.	Video conferencing	2005-06	4	20.00	Not forthcoming
5.	Laundry equipment	2003-04	1	10.63 (including the cost of installation)	Equipment supplied to Karnataka Police Academy, Mysore was transferred to KSRP IV Battalion which was not put to use as it was not required by KSRP.
6.	Emission testing machines	2003-04 to 2006-07	4	6.86	Equipment were not put to use for want of licence from Regional Transport Office (RTO).
7.	Uninterrupted Power Supply machines	2005-06	424	21.00	Solar power packs were already available in police stations
8.	Mini-crime scopes and cameras	2000-06	Not available	98.82	Non-availability of trained personnel.
9.	Mass spectrometer, gas chromatograph, auto analyser, automatic solvents, LCD projectors, etc.	2002-06	Not available	91.41	Equipment not required for immediate use.
<b>Total</b>				<b>296.42</b>	

The expenditure of Rs.2.96 crore on these items was, therefore, rendered unfruitful.

### 3.1.13 Human Resource Management

There were 1,414 vacancies of police inspectors and police constables

The scheme emphasised the need to fill all vacancies in the State Police Force on priority so that the assistance made available is optimally utilised.

The combined working strength in various cadres of the Department such as Police Inspector (FPB), Police Inspector (Civil), Police Sub-Inspector (Civil) Police Sub-Inspector (FPB), Head Constable (Wireless), Police Constable (Wireless), *etc.*, was 3,076 as against the combined sanctioned strength of 4,490 and the vacancies varied from 25 *per cent* to 100 *per cent*. Government replied (October 2007) that recruitment plan had been chalked out to fill up the vacancies.

The training infrastructure was inadequate to make the training programmes effective

According to priority to training infrastructure was one of the principal areas of focus under the scheme. There were six<sup>7</sup> regular training institutes and 27 temporary training schools in the State for imparting basic training to recruits and also in-service personnel. Test-check of records disclosed that various works taken up for augmentation of training infrastructure were not completed.

Construction of a training complex at Police Training Centre, Gulbarga, construction of magazine buildings at five training centres, laying driving track for training at Police Driving & Maintenance School (PDMS), Yelahanka, construction of a cyber crime laboratory at Karnataka Police Academy (KPA), Mysore and Gulbarga at a cost of Rs.4.14 crore were yet to be completed. Construction of accommodation for 400 trainees at Karnataka State Police Training School (KSPTS), Channapatna (estimated cost: Rs.1.89 crore) and providing fencing and firing range works at Armed Police Training School (APTS), Yelahanka at an estimated cost of Rs.2.50 crore (November 2004) were yet to be taken up although GOI had approved the same during 2004-06. Construction of 10 quarters, compound wall, fencing, renovation of old parade ground and providing overhead tanks to trainee quarters at KSPTS, Channapatna was also not completed over a period of two to five years. Test-check also revealed that calendar of training programme was not drawn up in advance and the training programmes were scheduled at short notices.

### 3.1.14 Monitoring

Monitoring of the scheme implementation was not effective

The SLEC constituted for monitoring the implementation of the scheme met once a year only for finalising the draft AAP for submission to GOI. The timely completion of buildings, installation of communication and computerisation systems such as POLNET, CIPA, Police IT software, *etc.*, were not monitored by the SLEC.

<sup>7</sup> PDMS-Bangalore, APTS-Bangalore, KSPTS-Channapatna, Khanapur, Gulbarga, KPA-Mysore

### **3.1.15 Conclusion**

The utilisation of funds provided for the modernisation of state police force was not efficient due to release of funds by GOI at the fag end of the year and procedural delays. The construction of residential and non-residential buildings was delayed. The communication and computerisation on projects taken up under the scheme could not be completed due to lack of coordination with the executing agencies and inadequate monitoring by the Department. Equipment costing Rs.2.96 crore was lying idle for want of consumables, trained manpower, *etc.* The vacancies in various cadres ranged between 25 to 100 *per cent.* Procurement of modern weapons without training the police personnel in their usage left the department under-prepared for eventualities. Lack of trained manpower in FSL and FPB impeded the pace of gathering foolproof evidence.

### **3.1.16 Recommendations**

- Expeditious action should be taken to get the lingering communication and computerisation projects such as POLNET, CIPA and Police IT software commissioned so as to avail of their benefits.
- The incomplete training infrastructure should be got completed expeditiously and a calendar of training programmes should be prescribed to make training effective.
- Expeditious action should be taken to fill all the technical posts in the Forensic Science Laboratories and Fingerprint Bureaux. The Electronic Beat System should also be made functional.
- Expeditious action should be taken to put the idle equipment to optimal use by providing the required manpower, consumables and transferring them to needy places wherever necessary.
- The implementation of the scheme should be monitored closely and effectively.

The replies furnished (October 2007) by the Government are incorporated at appropriate places.

## URBAN DEVELOPMENT DEPARTMENT

### 3.2 Implementation of Urban Poverty Alleviation and Town Development Schemes by Director of Municipal Administration

#### Highlights

*The Directorate of Municipal Administration (DMA) was set up in February 1984 as the nodal authority for the Urban Local Bodies (ULBs) in the State and was responsible for supervising and coordinating the implementation of the poverty alleviation and town development schemes by these local bodies. The implementation of the schemes suffered largely due to lack of effective coordination and monitoring by the Director of Municipal Administration. Consequently, the intended objectives could not be realised despite substantial financial allocation.*

**Rupees 66.36 crore was not mobilised by the ULBs for implementation of Integrated Development of Small and Medium Town Scheme (IDSMT) and Rs.74.14 crore remained unspent (March 2007) under different schemes which adversely affected the implementation of schemes.**

(Paragraphs 3.2.6.2 & 3.2.6.4)

**Non-observance of the prescribed rules and procedure led to non-maintenance of basic records in the ULBs as well as irregular payment of advances to subordinate officials and their non-adjustment over long periods.**

(Paragraphs 3.2.6.5 and 3.2.8.2)

**The implementation of Swarna Jayanti Shahari Rozgar Yojana (SJSRY) in the test-checked districts was not effective due to defective survey of scheme beneficiaries, non-updation of the Below Poverty Line list and denial of benefits to the targeted beneficiary.**

(Paragraph 3.2.8)

**Seven shopping complexes constructed by seven ULBs at a cost of Rs.3.87 crore under IDSMT remained vacant for six to three and half years rendering the investment idle. Delays ranging from one to seven years occurred in the completion of shopping complexes and other town development works by four ULBs.**

(Paragraphs 3.2.9.2 and 3.2.9.3)

**Scheme implementation was not properly monitored by the DMA.**

(Paragraph 3.2.13)

#### 3.2.1 Introduction

The Directorate of Municipal Administration (DMA) was set up (February 1984) as the nodal authority for Urban Local Bodies (ULBs) (except city corporations) to supervise their functioning including release of

financial resources provided by Government for implementation of poverty alleviation programmes, human resource management, monitoring of tax collection, *etc.* There were 93 Town Panchayats<sup>8</sup> (TPs), 79 Town Municipal Councils<sup>9</sup> (TMCs) and 43 City Municipal Councils<sup>10</sup> (CMCs) apart from five Notified Area Committees (NACs) which were specially administered areas like project areas, industrial areas and areas of tourist importance. These ULBs were responsible for implementing, *inter alia*, Centrally Sponsored Schemes such as Swarna Jayanti Shahari Rozgar Yojana (SJSRY) and the Integrated Development of Small and Medium Towns (IDSMT). The DMA also released grants allocated to ULBs under Union Finance Commission's recommendations for providing drinking water, street lighting, sanitation, repairs to roads, rain water harvesting, solid waste management, *etc.*

### **3.2.2 Organisational set-up**

The Secretary, Urban Development Department (UDD) was the administrative head while the DMA was the nodal authority at the State level. The DMA was assisted by the Deputy Commissioners and the Project Directors at the district level. While State Urban Development Agency (SUDA) headed by the DMA formulated policies for scheme implementation at State level, District Urban Development Agencies (DUDA) headed by the Project Director under the administrative control of the respective Deputy Commissioner (DC) functioned at the district level. The State Level Sanctioning Committee (SLSC) headed by the Secretary, UDD reviewed the scheme implementation besides liaising with the Central Government for approval of schemes, release of funds and submission of utilisation certificates.

### **3.2.3 Audit objectives**

The objectives of performance audit were to:

- verify the adequacy of budgetary allocations so as to assess economy and efficiency in the implementation of the schemes;
- assess the effectiveness of survey and estimation of eligible beneficiaries for scheme implementation;
- examine whether the schemes were implemented according to the prescribed guidelines, approved project reports and financial rules;
- verify whether the human resources were efficiently utilised for effective implementation of schemes; and
- assess whether there is an appropriate monitoring system in place.

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<sup>8</sup> ULBs with a population between 10,000 and 19,999

<sup>9</sup> ULBs with a population between 20,000 and 49,999

<sup>10</sup> ULBs with a population between 50,000 and 3,00,000

### **3.2.4 Audit criteria**

The audit criteria in evaluating the performance of the Directorate of Municipal Administration were:

- The guidelines issued by Government for implementation of SJSRY, IDSMT and for execution of works out of Eleventh Finance Commission (EFC) grants
- The provisions of Karnataka Budget Manual, Karnataka Financial Code and the Karnataka Transparency in Public Procurement Act, 1999, the Public Works Accounts and Departmental codes.

### **3.2.5 Scope and methodology of audit**

Implementation of SJSRY, IDSMT and execution of EFC works by the Directorate were reviewed for the period 2002-07 during February-June 2007 by test-check of records of the DMA, the Deputy Commissioner (DC) and the Municipal Commissioner/Chief Officer of 53 ULBs of 10 districts<sup>11</sup>.

The audit objectives and the methodology for the audit were discussed with the Secretary and the DMA during an entry conference held in January 2007. An exit conference was held in September 2007 with the Secretary and the DMA to discuss the audit findings and to elicit the response of the Department/ Government. The Secretary agreed to examine the findings and take necessary follow-up action.

### **Audit findings**

#### **3.2.6 Financial management**

The SJSRY, IDSMT and EFC schemes/works being Centrally sponsored, were financed by the Central Government and the State Government as per the agreed financial pattern. While SJSRY scheme was financed by the Central and State Government in the ratio of 3:1, EFC works were financed in the ratio of 2:1. The financial pattern of IDSMT scheme on the other hand depended on the population of the beneficiary town as well as the cost of the sanctioned project besides mobilisation of a portion of the funds by the ULBs concerned.

<sup>11</sup> Bangalore (Rural), Bagalkot, Belgaum, Dakshina Kannada, Davangere, Gadag, Hassan, Raichur, Shimoga and Tumkur.



The year-wise receipt and expenditure during the period 2002-07 under SJSRY and EFC were as under:

**Table 1: Receipts and expenditure under SJSRY & EFC**

(Rupees in crore)

Year	Receipts		Expenditure		Unspent balances lying with DMA	
	SJSRY	XI Finance commission	SJSRY	XI Finance commission	SJSRY	XI Finance commission
2002-03	21.54 <sup>2</sup>	--	10.17	--	11.37	--
2003-04	7.70	62.41	16.76	50.62	(-) 9.06	11.79
2004-05	15.54	112.36	9.70	124.00	5.84	(-) 11.64
2005-06	10.97	12.48	8.67	8.54	2.30	3.94
2006-07	18.89	--	13.19	1.84	5.70	(-) 1.84
<b>Total</b>	<b>74.64</b>	<b>187.25</b>	<b>58.49</b>	<b>185.00</b>	<b>16.15</b>	<b>2.25</b>

(<sup>2</sup>: includes brought forward balance of Rs.12.62 crore of the year 2001-02)

Against the expenditure of Rs.185 crore shown by the DMA under EFC, Rs.14.86 crore was lying unspent with the ULBs thereby inflating the expenditure to that extent.

Government of India (GOI) approved (1995-96 to 2004-05) 107 towns<sup>12</sup> in the State for coverage under IDSMT during VIII, IX and X five year plan periods. The projects selected during the VIII and IX plan periods continued to be financed during the period 2002-07 due to slow progress in the implementation of the scheme. The funds released to the ULBs during 1995-96 to 2006-07 in respect of these projects pertaining to different plan periods were as under:

**Table 2: Receipts and expenditure under IDSMT**

(Rupees in crore)

Plan period	Funds released				Expenditure	Unspent balance
	GOI share	GOK share	ULBs share	Total		
VIII Plan	11.48	7.66	-	19.14	17.78	1.36
IX Plan	15.78	10.52	-	26.30	13.87	12.43
X Plan	28.26	18.70	4.41	51.37	24.28	27.09
<b>Total</b>	<b>55.52</b>	<b>36.88</b>	<b>4.41</b>	<b>96.81</b>	<b>55.93</b>	<b>40.88</b>

Test-check of records disclosed the following:

### 3.2.6.1 SJSRY

#### *Delay in release of scheme grants*

The scheme guidelines provided that the State Government should ensure that the funds released by GOI along with their own matching contribution reach the implementing agencies within a month of their receipt by them. Contrary to the guidelines, there were delays ranging from one to six months by the DMA in releasing the funds (Rs.50.86 crore) to the ULBs (**Appendix-3.1**).

<sup>12</sup> 14 towns during VIII five-year plan, 17 towns during IX plan period and 76 towns during X plan period.

**Non-transfer of existing balances to SJSRY**

The unspent balance of Rs.23.34 lakh under NRY was not transferred to SJSRY

The scheme guidelines provided that the unspent balances under the existing schemes like Nehru Rozgar Yojana (NRY), Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP), Urban Basic Service for Poor (UBSP), etc., as on the commencement of the SJSRY scheme (1 December 1997) should be transferred to SJSRY. It was, however, noticed that the DC, Raichur had not transferred unspent balance of Rs.23.34 lakh under NRY to SJSRY.

**3.2.6.2 IDSMT Scheme****Shortfall in mobilisation of funds by ULBs**

The ULBs did not mobilise their share of Rs.66.36 crore for effective implementation of IDSMT scheme

As per the approved project reports, Rs.70.77 crore was required to be mobilised by 107 ULBs for completion of the projects. It was observed that only 13 ULBs mobilised Rs.4.41 crore as their share towards project cost at the end of March 2007. DMA did not ensure mobilisation of the remaining amount of Rs.66.36 crore by the ULBs. The Government funds were released to the ULBs without insisting upon contribution of their share. The SLSC also did not ensure compliance with this condition.

**3.2.6.3 Delay in release of EFC grants**

There was a delay of three years in releasing EFC funds by GOI

Although the term of the EFC was from 2000-01 to 2004-05, the first installment of EFC funds was released by the GOI only during 2003-04 and the State share of Rs.12.48 crore for the year 2004-05 was actually released to the ULBs only during 2005-06. Consequently, the ULBs continued to spend the grants even up to 2006-07. Belated release of funds affected timely realisation of the EFC objectives.

**3.2.6.4 Diversion and unspent balances**

An amount of Rs.six crore was diverted under SJSRY, IDSMT and EFC during 2002-07 as detailed below:

**Diversion of funds**

(Rupees in crore)

Sl. No.	Name of the Scheme	Amount diverted	Number of ULBs involved	Purpose for which diverted
1.	SJSRY	0.06	03 <sup>13</sup>	Purchase of sodium vapour lamps, computers and subsidy payments
2.	IDSMT	4.06	11	For road works, building works, etc., as detailed in <b>Appendix-3.2</b>
3	EFC	1.88	19	For building works, beautification of parks, etc., as detailed in <b>Appendix-3.3</b>
	<b>Total</b>	<b>6.00</b>	<b>33</b>	

These diversions did not have the approval of GOI.

<sup>13</sup> CMC-Hassan, TMC-Bantwala and TMC-Sakleshpur

**Unspent balances**

An amount of Rs.74.14 crore was lying unspent with DMA and ULBs as detailed below:

(Rupees in crore)

Sl. No.	Name of the Scheme	Unspent balance at the end of March 2007	Lying with whom	Reasons for non/under-utilisation
1.	SJSRY	16.15	DMA	Not forthcoming
2.	IDSMT	40.88	ULBs	Non-mobilisation of matching contribution by ULBs, non-availability of land, delay in administrative approval/technical sanction
3.	EFC	14.86	ULBs	Non-approval of action plans, delay in land acquisition and approval of tenders and non-implementation of FBAS.
		2.25	DMA	Reasons not forthcoming
	<b>Total</b>	<b>74.14</b>		

The amount of Rs.2.25 crore was lying in the PD account of DMA for over three years.

**3.2.6.5 Deficiencies in maintenance of accounts**

Records of test-checked ULBs revealed the following deficiencies in maintenance of Accounts:

- In CMC-Raichur, a separate cash book for EFC was not maintained although the scheme guidelines provided for it. The EFC funds were mixed up with other scheme funds and the actual expenditure incurred on the scheme was not separately verifiable. Similarly, no separate cash books were maintained for each component of SJSRY as required under the scheme guidelines. In the absence of cash books, grant and outlay registers, bank reconciliation statements, etc., the correctness of the receipt and expenditure figures of the CMC could not be verified in audit. In TMC-Sakleshpur also, a separate cash book and bank account were not maintained for SJSRY in violation of the guidelines.
- In TMC-Gajendragad, Rs.one crore received (September 2002) for implementation of IDSMT scheme was not taken to the scheme cash book but was directly invested in the fixed deposits of a bank. Out of this, Rs.50 lakh which matured in May 2004 was, however, accounted for in the cash book but the remaining amount of Rs.50 lakh had not been taken to cash book (April 2007). The TMC failed to exhibit these investments in the closing balance of the cash book as required under the rules. Non-compliance with the prescribed rules and procedure was fraught with the risk of misappropriation of Government money.
- Advance payments (Rs.5.28 crore) made by CMC-Gadag and TMC-Tumkur to the State Public Works Department (PWD) and Karnataka Land Army Corporation (KIAC) for construction of civil works under IDSMT were outstanding for recovery/adjustment for two to three years and no watch registers were maintained by these ULBs in this regard.

There were deficiencies in maintenance of basic records

Rupees one crore released during September 2002 under IDSMT was not taken to cash book by TMC-Gajendragad

### 3.2.7 Programme management

The DMA was responsible for effective implementation of SJSRY and IDSMT and works taken up out of Union Finance Commission grants through the ULBs by securing due compliance with the scheme guidelines and the instructions of the Government. The DMA was required to inspect the ULBs and also the works executed by them, to obtain progress reports and utilisation certificates periodically and to scrutinise them so as to ensure timely implementation of schemes without cost overruns and prevent diversion of funds. The findings on review of records of the test-checked ULBs were as under:

### 3.2.8 SJSRY

The SJSRY being an urban poverty alleviation scheme envisaged providing self employment and wage employment opportunities to the urban poor living Below Poverty Line (BPL). The Urban Self Employment Programme (USEP) comprised several components viz:

- Micro Enterprises (ME) to encourage self entrepreneurship among urban unemployed with subsidy up to Rs.7,500 per person;
- Development of Women and Children in Urban Areas (DWACUA) to promote collective entrepreneurship among urban poor women by encouraging them to form self help groups and to give them subsidy;
- Thrift and Credit Groups (TCG) to encourage small savings among the self help groups and to provide credit facilities to their members; and
- Training the urban unemployed poor in avocations best suited to them.

The Urban Wage Employment Programme (UWEP) on the other hand envisaged taking up labour intensive community works such as construction of community halls, laying of roads, providing water supply and drainage works so as to provide gainful wage employment to the urban poor. The scheme guidelines further provided that each ULB maintains a valid list of the beneficiaries (BPL persons) in the town after conducting a door-to-door survey. During the survey, certain non-economic parameters of living conditions such as the type of dwelling house, the type of employment, access to drinking water and sanitation, the educational status of the children, etc., were also to be collected so as to identify the most eligible BPL beneficiary.

Records of test-checked ULBs disclosed that survey of beneficiaries was not conducted by any of the ULBs since May 1998 and non-economic parameters were not reckoned for identification of most eligible BPL beneficiaries during the survey.

#### 3.2.8.1 ME and DWACUA

The targets fixed by the DMA for the ULBs in the State under ME and DWACUA during the period 2002-07 were as follows:

Non-economic parameters were not reckoned for determining the most eligible beneficiaries

**Targets fixed by DMA were neither based on availability of funds nor on the number of beneficiaries in the towns**

Year	Target		Achievement		Shortfall	
	ME	DWACUA	ME	DWACUA	ME	DWACUA
2002-03	6,616	418	2,005	117	4,611	301
2003-04	8,475	333	6,480	129	1,995	204
2004-05	4,495	577	2,128	210	2,367	367
2005-06	4,810	533	3,451	259	1,359	274
2006-07	10,924	546	5,204	268	5,720	278
<b>Total</b>	<b>35,320</b>	<b>2,407</b>	<b>19,268</b>	<b>983</b>	<b>16,052</b>	<b>1,424</b>

**The ULBs did not take follow-up action to ensure that the beneficiaries were actually self employed under the scheme**

The targets fixed by the DMA were unrealistic as these were neither based on the number of beneficiaries in the town nor with reference to the available funds. Further, the ULBs after releasing subsidy to the banks for disbursing loans to the scheme beneficiaries under ME and DWACUA, did not take any follow up action to ensure timely release of loans, setting up and continuity of business by the beneficiaries and regular repayment of loans. Consequently, it could not be verified in audit as to whether the objectives of the scheme were actually realised. The DMA/DCs did not prescribe and insist upon follow up reports from the ULBs in this regard.

### 3.2.8.2 UWEP

While executing UWEP works, the test-checked ULBs did not ensure engagement of the identified beneficiaries as the persons employed as labourers (as per the muster rolls maintained by the ULBs) during the period 2002-07 were other than those included in the BPL list of the ULB. Consequently, the objective of providing wage employment to the targeted beneficiaries could not be realised despite incurring an expenditure of Rs.3.43 crore on UWEP by these ULBs.

**Advance payment of Rs.41.02 lakh irregularly made six to eight years ago were still outstanding for recovery/adjustment**

Advance payments of Rs.41.02 lakh<sup>14</sup> made to the Junior Engineers (JE) and a Community Affairs Officer (CAO) by two ULBs during the period 1999-2005 for execution of certain civil works under UWEP were outstanding for adjustment even at the end of March 2007. The officials had not rendered the accounts for the payments received. The ULBs also did not reflect these advance payments in the closing balance of their cash books so as to effectively watch their recovery. Records also revealed that out of 50 works against which these advance payments were made, only 31 works had been executed at a cost of Rs.26.08 lakh<sup>15</sup> and the balance of Rs.14.94 lakh had not been remitted by the officials to the respective ULB. The ULBs also did not take any action to obtain the adjustment accounts and recover the balance.

<sup>14</sup> TMC-Manvi - 36 works - Rs.36.42 lakh (to JE)  
 TP- Mundargi - 13 works - Rs.1.52 lakh (to CAO)  
 TP- Mundargi - 01 work - Rs.3.08 lakh (to JE)  
**Total 50 works - Rs.41.02 lakh**

<sup>15</sup> TMC, Manvi - 25 works - Rs.25.52 lakh  
 TP, Mundargi - 06 works - Rs. 0.56 lakh  
**Total 31 works- Rs.26.08 lakh**

### 3.2.8.3 Training of urban unemployed poor

Training was imparted by the test-checked ULBs to persons other than the identified beneficiaries in disciplines/avocations such as motor driving, computer operations, tailoring, handicrafts, etc., thereby defeating the objective of the scheme despite incurring Rs.2.18 crore on training.

### 3.2.9 Execution of IDSMT projects

Due to non-mobilisation of ULBs' share of funds, only 152 out of 643 works could be completed by March 2007

The GOI approved (1995-96 to 2004-05) 643 works under IDSMT for construction of shopping complexes, community halls, construction of roads, drains, street lights, etc., in 107 selected towns of the State for their integrated development. Of these, 152 works were completed by the ULBs, 195 works were in progress and 296 works yet to be commenced. The total expenditure incurred on the scheme was Rs.55.93 crore (March 2007).

Records in 37 test-checked ULBs (implementing the scheme) disclosed that as against 230 works approved at an estimated cost of Rs.69.99 crore, the number of works taken up, completed and those in progress were 118, 58 and 60 respectively. The delay in completion of works and commencement of the remaining 112 works were mainly due to non-mobilisation of the funds by the ULBs. Following other points were noticed:

#### 3.2.9.1 Non-execution of works due to non-availability of land/land disputes

Four ULBs could not take up shopping complex works costing Rs.3.76 crore due to non-availability of land and land disputes

Four<sup>16</sup> test-checked ULBs could not take up the construction of shopping complexes at the sanctioned cost of Rs.3.76 crore due to non-availability of land although in the respective project reports, the required land was stated to be available with a clear title. In case of TMC-Nargund (Gadag district) the possession of land for the shopping complex had not been taken. The construction work was, however, taken up (February 2006) on a tank bed which was opposed by the public and stayed by the court. Meanwhile, the DMA had returned the estimate of the work without according the technical sanction on the ground that the ULB had not tested the suitability of the soil and also that no provisions for drainage were made in the estimate as the building was being constructed on a tank bed. The DC, Gadag instead of getting the stay orders vacated and complying with the observations of DMA, gave administrative approval (Rs.40.57 lakh) to construct a portion of the building on the same land and released (August 2006) Rs.15 lakh to the 'District Nirmithi Kendra' for construction. The work, however, could not commence due to operation of the stay orders resulting in locking up of Rs.15 lakh. The decision of the DC to release advance payment to the Nirmithi Kendra was, therefore, injudicious.

<sup>16</sup> CMC, Shimoga (Rs.0.88 crore), TMC, Manvi (Rs.0.53 crore), TMC, Nargund (Rs.1.18 crore) and TMC, Sagar (Rs.1.17 crore).

**3.2.9.2 Idle investment on shopping complexes**

**The expenditure of Rs.3.87 crore incurred on shopping complex was unfruitful, as the buildings remained vacant**

The shopping complex buildings constructed at a cost of Rs.3.87 crore by seven<sup>17</sup> test-checked ULBs could not be let out on lease-cum-rent basis due to poor response from the general public. The buildings were lying vacant for six months to three and a half years (November 2003 to October 2006) indicating lack of proper survey of demand for these commercial complexes. Consequently, the investment of Rs.3.87 crore incurred on these buildings was rendered idle.

**3.2.9.3 Delay in completion of IDSMT works**

The IDSMT works were to be taken up and completed within a period of 24 months of the release of funds as per the scheme guidelines. However, delays ranging from 1 to 7 years were noticed in completion of works taken up by four ULBs as detailed in the table below:

(Rupees in crore)

**Due to delay in commencement of works, non-mobilisation/diversion of funds, the works could not be completed by four ULBs.**

Name of the ULB	Name of the work	Estimated cost	Date of commencement/ completion	Works completed and expenditure incurred thereon	Reasons for non-completion
CMC, Tumkur	Construction of six commercial complexes, two roads, two storm water drains, one community hall and one slaughter house	8.17	March 2002/ March 2005	Two commercial complexes, one road and one storm water drain (Rs.2.39 crore)	Diversion of Rs.1.02 crore from scheme funds, non-mobilisation of ULB share.
TMC, Hoskote	Construction of five shopping complexes, roads, drains, providing street light, development of housing sites and miscellaneous works	2.00	May 1999/ May 2001	Construction of three shopping complexes and miscellaneous works (Rs.0.86 crore)	Non-mobilisation of funds by ULB.
TMC, Belur	Construction of one shopping complex (ground and first floor for 70 shops)	0.72	September 2004/ September 2006	Only ground floor with 26 shops (Rs.0.99 crore)	Due to increase in the scope of work (114 shops) and delay in commencement of work (July 2005).
TMC, Ron	Construction of two shopping complexes	0.80	March 1998/ March 2000	Only ground floor with 23 shops in each building (Rs.0.67 crore)	Due to cost overrun, balance works were given up.

Records disclosed that none of the works executed by the test-checked ULBs was inspected nor the progress of works was reviewed by the DMA/DC resulting in cost and time overrun and foreclosure of a work.

<sup>17</sup> CMC-Bagalkot (Rs.0.73 crore), CMC-Belur (Rs.0.95 crore), CMC-Davanagere (Rs.0.37 crore), TMC-Harapanahalli (Rs.0.77 crore), TMC-Mahalingapur (Rs.0.64 crore), TMC-Moodabidri (Rs.0.25 crore) and TP-Channagiri (Rs.0.16 crore).

### 3.2.10 EFC works

The EFC grants were provided for Solid Waste Management (SWM), setting up fund based accounting system in the ULBs and for general purposes such as providing drinking water supply, repairs to roads, street lighting, *etc.*

#### 3.2.10.1 Lack of an integrated town development plan for utilisation of EFC grants

The test-checked ULBs did not draw up a comprehensive town development plan for utilising the funds received not only under EFC but also other schemes such as State Finance Commission grants, Union Finance Commission grants, SJSRY, IDSMT, *etc.* Consequently, only *ad hoc* action plans were drawn up and got approved by the DCs, which did not result in planned development of the towns rendering the expenditure largely unproductive.

**Only 12 out of 41 test-checked ULBs utilised Rs.5.11 crore out of Rs.18.32 crore released for SWM**

Under SWM, Rs.16.74 crore were released (2003-05) by DMA for purchase of land, Rs.5.19 crore for land fill site development, Rs.32.47 crore for purchase of vehicles and equipment and Rs.1.04 crore for Information, Education and Communication activities aimed at creating awareness among the public about the importance of scientific management of municipal wastes. Out of this, Rs.18.32 crore were released (September 2003 to June 2005) to the 41 test-checked ULBs for SWM under the above components. Records revealed that only Rs.5.11 crore had been utilised by 12 ULBs on acquisition of land and procurement of vehicles (March 2007). The remaining 29 ULBs did not utilise the funds for implementation of SWM due to delay in acquisition of land/land fill site development, approval of tenders for procurement of vehicles, approval to action plans by DMA/DC *etc.*

#### 3.2.10.2 Unfruitful outlay on SWM works

**Delay in developing land - fill sites by three ULBs rendered the expenditure of Rs.2.67 crore unfruitful**

Rupees 1.14 crore spent by CMC-Hassan on procurement of vehicles and equipment was unfruitful due to delay in execution of land-fill site development works. The delay was attributed (March 2007) by the CMC to land disputes and opposition by the public. The CMC-Doddaballapur spent Rs.51.03 lakh on acquisition of land (March 2005) but did not take further action to develop the land-fill site resulting in unfruitful outlay of Rs.51.03 lakh. The CMC-Gadag acquired (June 2004) 19.16 acres of land and later procured (October 2006-January 2007) machinery at a total cost of Rs.1.02 crore for SWM. The land-fill site development was yet to be taken up (September 2007) by the CMC due to which the machinery purchased was lying idle and the disposal of municipal wastes could not be taken up as per the scheme guidelines at the new site. Consequently, the expenditure of Rs.1.02 crore remained unfruitful (April 2007).



### 3.2.10.3 Fund Based Accounting System (FBAS)

The expenditure incurred on Fund Based Accounting System was largely unproductive

Fund based accounting system was introduced in ULBs to generate realistic financial information, to provide modern financial statement for resource generation and to enhance accountability and transparency. Two per cent of EFC grants (Rs.138.47 crore excluding the amount allocated for SWM) was earmarked for implementation of the FBAS in the ULBs. Out of this, Rs.1.40 crore was released to the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC), Bangalore (September 2004 and February 2005) to develop and implement the FBAS at the State level and a further amount of Rs.1.47 crore was released to the ULBs to enable them to adopt FBAS and computerisation of accounts expeditiously. However, the FBAS was not implemented either at the State level (DMA) or at the ULB level as KUIDFC had not delivered the system and the funds released to the ULBs were spent on acquiring the computers and their accessories (Rs.1.33 crore). No guidelines were issued by the DMA to the ULBs in this regard. Rupees 1.02 lakh were diverted by three<sup>18</sup> ULBs irregularly out of these funds for purchase of high mast lights, construction of roads and drilling of bore wells. Rupees 13.31 lakh were lying unspent with the ULBs.

### 3.2.11 Quality control

The civil works executed under SJSRY, IDSMT and out of EFC grants were not subjected to quality control

The civil works such as construction of shopping complexes, construction of roads, storm water drains, water supply schemes, construction of community assets etc., created under SJSRY, IDSMT and EFC were required (under Engineering Manual and Departmental Codes) to be subjected to quality control tests both during construction and after completion to ensure their conformity with the prescribed technical standards/ specifications. None of the works in the test-checked ULBs was subjected to quality control tests. The DMA did not enforce the quality control mechanism.

### 3.2.12 Human Resource Management

Nearly 45 per cent of the total functional posts (2,482) were vacant

The sanctioned strength and the men in position in 220 ULBs (for implementation of schemes/projects like SJSRY, IDSMT, SWM, FBAS) as at the end of March 2007 were as follows:

Post	Sanctioned strength	Men in position	Vacancies
Accounts Superintendent	44	24	20
Engineer/Junior Engineer	594	418	176
Environmental Engineer	138	94	44
Community Affairs Officer	206	179	27
Community Organiser	258	189	69
Senior Health Inspector	226	85	141
Junior Health Inspector	388	294	94
Accountant	138	84	54
Junior Programmer	94	0	94
Data Entry Operator	396	01	395
<b>Total</b>	<b>2,482</b>	<b>1,368</b>	<b>1,114</b>

<sup>18</sup> Belthangadi (Rs.0.27 lakh), Devanahalli (Rs.0.37 lakh) and Moodabidri (Rs.0.38 lakh)

Although the total number of vacancies was 45 per cent of the sanctioned strength, the DMA did not take any effective action to fill the vacancies in a time bound manner.

On the other hand many ULBs did not optimally utilise the available human resources for effective implementation of schemes as detailed below:

**Two CMCs entrusted works to other agencies although having a full fledged engineering wing**

In CMC-Tumkur and CMC-Gadag, although there was a full fledged engineering wing (headed by an Assistant Executive Engineer in each ULB), the works taken up under IDSMT and EFC had been entrusted (June 1998 to March 2007) to State PWD, Karnataka Urban Water Supply and Drainage Board (KUWS&DB), KLAC, Nirmithi Kendra, etc., on direct entrustment basis without specifying the date of completion of work. These agencies neither completed the works on time nor furnished the progress reports from time to time although advance payments (Rs.5.28 crore) had been made (June 1998 to March 2007) to them. Consequently, the ULBs had no control over the timely completion of these works and cost overrun were inevitable. The direct entrustment of works despite availability of a full-fledged engineering wing was, therefore, injudicious.

**Irregular diversion of the services of SJSRY staff adversely affected the scheme implementation**

In ULBs viz., CMC-Raichur, TMC-Sakleshpur and TMC-Chikkodi, the services of the community organisers (one each in these ULBs) meant for implementation of SJSRY were diverted for other municipal activities which affected effective implementation of the scheme as well as maintenance of basic records. In TMC-Sakleshpur, the only community organiser available in the ULB for SJSRY was deputed for one year diploma course for Sanitary Health Inspectors which was in no way connected with the functions of community organiser. The DMA/DCs failed to notice these irregularities during their inspection of ULBs or scrutiny of staff statements/progress reports and take remedial action in the matter.

### 3.2.13 Monitoring

**The scheme implementation was not properly monitored by the DMA**

The DMA did not effectively monitor the implementation of the schemes by conducting regular periodical inspection of ULBs and the works executed by them. The periodical progress reports and utilisation certificates submitted by the ULBs to the DMA were not scrutinised and remedial action taken. There was no separate cell in DMA to monitor implementation of the scheme. The impact assessment of SJSRY was also not undertaken in spite of shortfall in achievement of targets and deviations from guidelines by the ULBs. The State Level Sanctioning Committee also failed to review the implementation of these schemes.

### **3.2.14 Conclusion**

Retention of funds and delay in release of grants by the DMA, irregular diversions and non-mobilisation of funds by the ULBs coupled with improper survey of the scheme beneficiaries and lack of comprehensive town development plans slowed down the pace of scheme implementation. Non-observance of the prescribed rules and procedures led to irregular payment of advances to subordinate officials and their non-adjustment over long periods besides non-maintenance of basic records in the ULBs. While the number of vacancies was 45 *per cent* of the sanctioned strength in the ULBs, many ULBs did not optimally use the available human resources for effective implementation of the schemes. Lack of monitoring of scheme implementation by the DMA led to denial of intended benefits to the targeted beneficiaries, idle investments and cost and time overrun. Quality control measures were non-existent.

### **3.2.15 Recommendations**

- The DMA should take immediate action to have a fresh survey of the beneficiaries of SJSRY conducted in each town duly reckoning the non-economic criteria as per the scheme guidelines and have the BPL list updated by the respective ULB.
- Action should be taken to complete all the sanctioned IDSMT projects in a time bound manner by securing mobilisation of financial resources from the ULBs.
- A comprehensive town development plan should be approved to each ULB for integrated development of towns by utilising financial resources available under various Finance Commissions and other town development schemes.
- An impact assessment of the implementation of schemes should be carried out at the earliest for remedial action.
- The DMA should effectively monitor the implementation of schemes by inspection of works executed by the ULBs, obtaining work-wise progress reports under each scheme and conducting a critical scrutiny thereof.

The above points were reported to Government in August 2007; reply had not been received (October 2007).

**URBAN DEVELOPMENT DEPARTMENT**

**3.3 Information Technology systems of Bangalore Water Supply and Sewerage Board**

**Highlights**

*The Bangalore Water Supply and Sewerage Board (Board) is responsible for providing water supply and sewerage system and sewerage disposal in Bangalore Metropolitan Area. The Board had undertaken several initiatives to use information and communication technologies to improve the quality of services to citizens. However, the initiatives were not backed up by building in appropriate Information Technology (IT) controls for planning, implementation and maintenance of data and other IT assets leading to sub-optimal realisation of the objectives of computerisation.*

**Lack of sufficient monitoring and failure to work out appropriate logistics for implementation of Geographical Information System project resulted in expenditure of Rs.10.06 crore remaining unfruitful.**

**(Paragraph 3.3.5)**

**The revenue billing package did not support reconciliation of collections between the system and the bankers of the Board, leaving an amount of Rs.121 crore unreconciled.**

**(Paragraph 3.3.6.1)**

**Absence of well documented User Requirement Specifications resulted in non-provision of critical controls and security in the billing system.**

**(Paragraph 3.3.6)**

**Poor development and maintenance of the website resulted in improper presentation of the board's profile to the internet users.**

**(Paragraph 3.3.7)**

**Lack of strategic IT Plan resulted in non-realisation of optimum benefits of computerisation.**

**(Paragraph 3.3.4)**

**Limited benefit to consumers was available despite huge expenditure of Rs.4.11 crore on round the clock receipt of water charges.**

**(Paragraph 3.3.8)**

**Local Area Network and Wide Area Network facilities set up at a cost of Rs.1.33 crore remained under-utilised due to poor planning and implementation.**

**(Paragraph 3.3.9)**

**Inadequate security arrangements exposed the system to risk of damage to IT assets and misuse of systems.**

**(Paragraph 3.3.10)**

**Inadequate change control procedures exposed the system to the risk of unauthorised changes.**

**(Paragraph 3.3.11)**

**Absence of well-developed business continuity plan to take care of IT assets exposed the Board to losses in case of disasters.**

**(Paragraph 3.3.12)**

### **3.3.1 Introduction**

Bangalore Water Supply & Sewerage Board (Board) came into existence by an Act of State Legislature in October 1964. The main function of the Board is to provide potable water supply to the citizens of Bangalore and arrange disposal of sewerage generated in the metropolitan city. The Board introduced two major IT applications for qualitative improvement in delivery of services to the citizens. The Board spent Rs.16.45 crore (March 2007) towards cost of acquisition and development of IT assets (hardware, software and facilities) for implementing computer applications. The Information Technology applications introduced by the Board are;

- (i) Geographical Information System (GIS)
- (ii) Bengaluru Ganakeekrutha Grahakara Seve (BGGS) – Revenue Billing System and Financial Accounting System.

GIS was implemented to digitise all details of leaks, bursts, overflows, enabling generation of reports for management decision making, remedial action to replace water supply/sanitary line and analyse the effects of Pressure of water flow *etc.*, at an estimated cost of Rs.10 crore.

Revenue Billing System handling water revenue of over Rs.300 crore annually is also supported by payment kiosks set up at a cost of Rs.4.11 crore to facilitate round the clock collection of cheque/cash from customers.

A Wide Area Network (WAN) at a cost of Rs.1.33 crore has also been set up to connect all sub divisions with the central office.

### **3.3.2 Audit objectives**

The basic objective of the IT review was evaluation of the quality and adequacy of IT governance in place alongwith controls built in to ensure data integrity, security of data, systems and other IT assets in the computer applications – GIS and BGGS in particular and other packages in general.

### **3.3.3 Scope and methodology of audit**

Performance audit of IT systems of the Board was undertaken by test-check of records for the period 2002-07 from October 2006 to January 2007 in the Central Office of the Board at Cauvery Bhavan, Bangalore, One Division

Office<sup>19</sup> and five sub-Divisions<sup>20</sup>. The sample data of the information contained in data tables received from the Board was scrutinised using the generalised audit software – IDEA<sup>21</sup>.

### Audit findings

#### 3.3.4 IT Policy and strategy

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

The computerisation effort was *ad hoc* and on piecemeal basis instead of development based on a pre-determined IT strategy dovetailed into overall business plans. The individual initiatives of computerisation were taken without any linkages to other existing and upcoming applications. No risk assessment of IT initiatives, plans and programmes was carried out. An illustrative list of observations include:

- The GIS was set up at a cost of Rs.10 crore without working out logistics of building and maintenance of a huge database.
- A Local Area Network (LAN)/Wide Area Network (WAN) interconnecting computer systems set up at a cost of Rs.1.33 crore was not dovetailed with GIS/Revenue Billing Software.
- The BGGs software was developed without centralised features like providing instantly available data relating to revenue billing and accounts at the Board level.
- The development of software for Financial Accounting and Stores commenced during February 2004. However, the package was yet to be implemented (December 2006).
- Development of web site of the Board on *ad hoc* basis resulted in time overrun and inaccuracies in web pages.

Thus, IT assets were procured on *ad hoc* basis and the Board failed to realise optimum benefits of computerisation despite investing significant amounts on IT assets.

### Development and maintenance of Computer Applications

Audit noticed that no structured approach for development and implementation of various computer applications had been adopted. There was no documentation laying down critical information such as the nature and scope of each system development project. There was no procedure for making a formal economic and technical feasibility study. It was also observed that no risk analysis study was made identifying security threats, potential vulnerabilities and their impact on the implementation. User requirements were not clearly defined in development of packages. For example, in Revenue Billing System, there was no seamless integration at all levels. All types of revenue receipts were not computerised – payment kiosks were not connected to LAN; collections from agencies were populated into

<sup>19</sup> South Division, Jayanagar.

<sup>20</sup> Central-1, South-1, South-3, South East-2, North-2.

<sup>21</sup> Interactive Data Extraction and Analysis

system by accessing at the back-end. Audit observations on deficiencies in development of computer applications and maintenance of database are discussed in the succeeding paragraphs:

### 3.3.5 Geographical Information System (GIS)

Lack of close monitoring and working out the logistics of implementation resulted in expenditure on GIS remaining unfruitful

The system was intended to deal with data regarding water supply and sewerage system of about four lakh customers. The Board entrusted the work of system study and analysis, system design, development of web based application, supply of hardware and software required for implementation of application, training and hand-holding to M/s. SCE France under the Indo-French Protocol in 1999. The project was taken up in two phases; (i) 100 square km at a cost of French Francs 78,44,153 (approximately Rs.5.49 crore) (ii) additional 190 square km at a cost of 7,62,245 Euros (approximately Rs.4.57 crore). The work was completed by M/s. SCE France and handed over to the Board during November 2002. The operation and maintenance of GIS was entrusted to M/s. GENESYS International, Bangalore at a cost of Rs.57 lakh for three years from November 2003 to November 2006.

#### 3.3.5.1 Incomplete application

The package was delivered incomplete, lacking in the following features required under the contract:

- smart map features capable of delivering necessary GIS and other data over internet and intranet for Public Information.
- facility to gather spatial and non-spatial data regarding:
  - (i) Electrical distribution network consisting underground distribution cables such as 66 KV, 11 KV cables Feeder boxes, RMUs, distribution transformers, etc.
  - (ii) Telecom network consisting of fibre optic cables, primary and distribution cables, joint pillars and distribution points.

#### 3.3.5.2 Input validations

The package did not have appropriate validations to prevent and detect patently incorrect input. The database depicted the year of Installation of water pipes, date of updating GIS and dates of Survey as carried out in very old periods and future dates such as year 1899 and year 7378.

Some more illustrations of discrepancies observed were as under:

Database	Discrepancy	No. of records	Remarks
Consumer	Unauthorised water connections with Unique Numbers	15	Data unreliable
	No consumer IDs allotted	18,273	Incomplete data
Area	Duplicate identity	23	Data unreliable.
Annotation	NIL Text	8	Incomplete data
Sewer	Map numbers not keyed in/keyed in the other columns	331	Lack of input validation controls
Water pipes	Map numbers not keyed in	93	Incomplete data
Hydrant	Map numbers not keyed in	17	Incomplete data

Board replied (April 2007) that multiple IDs were due to assigning the IDs by trial and error because of absence of source code. However, errors are being checked and rectified.

Inadequate input validations led to incorrect data capture and resulted in difficulties for search by address, date, RR number, *etc.*, making it unreliable for meaningful management decision-making.

### **3.3.5.3 Output controls**

Some of the views/reports like information on valves, manholes (water/sewerages layer), selection of area (Administrative Data and Base maps), time specified analysis and interface connectivity (Mapping Menu) did not work due to errors inherent in the package. Lack of proper output controls made the application less functional and did not facilitate proper monitoring of its utilisation. This indicated inadequate controls at development, testing and acceptance stages.

Board replied (April 2007) that the errors observed have since been rectified using ARCINFO<sup>22</sup> software.

### **3.3.5.4 Incomplete creation and maintenance of database**

M/s. SCE France was required under contract to create and maintain an up-to-date database containing details of water supply and sewerage systems, consumers, *etc.* Out of 290 square km of project area, base maps were yet to be obtained for 37 square km and integrated to database. Thus, there was shortfall in creation of the database initially.

An analysis of the data furnished, revealed many discrepancies as illustrated below:

- Details of Customer ID, last bill paid, *etc.*, were not found keyed in respect of data of 65,535 customers.
- Out of 15,250 consumers, in a sub division 3,550 consumers had no RR Numbers (unique IDs).
- While storage capacity for the city as indicated in the web site of the organisation was 109.94 Million Gallons, the database indicated storage capacity as high as 3,43,576 Million Gallons.
- Many junk entries were observed for the area name in the area database.

It could also be seen that many discrepancies existed even in the limited database examined by Audit. The inaccuracies and shortfalls in the system rendered the database unreliable for generation of MIS reports.

Audit observed that even though the agency entrusted with maintenance of the database had claimed that data relating to 4,35,873 consumers were updated in GIS package, data relating to 65,535 consumers only were available.

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<sup>22</sup> Arcinfo is a software used for data building, modeling ,map display and analysis



The main objective of the GIS was to generate reports of maps for use in analysis of problems and maintenance of water supply/sewerage systems. It was, however, observed in audit that use of GIS reports for maintenance or analysis was minimal.

Audit observed in one test-checked division that the data entry of details of work like 'pipe line', 'GIS package status', 'consumer updation', *etc.*, was in arrears for periods ranging between 2 and 37 months in respect of 13 sub-divisions and where data entry was done there was delay ranging up to 56 months. As there were delays in keying the essential details, the database was incomplete and unreliable for up-to-date querying and supporting decision-making.

It was also observed that the developer did not provide passwords to operate the system at the time of handing over the project. No formal handing over report exists about the status of work, details of hardware, software, *etc.* (December 2006). Moreover, neither the officials of the Board had the expertise to operate the system nor any new agency was appointed to continue the work on the expiry of the contract with M/s. GENESYS.

Board replied (April 2007) that formal handing over had since been done by M/s. GENESYS International in April 2007.

However, the fact remained that the Board lacked expertise to utilise the package as a new agency was yet to be appointed.

#### **3.3.5.5 Overall project management**

The project management did not

- Ensure that appropriate controls and validations were built in
- Work out the logistics of building of the huge database considering
  - Getting the records on time for updating from sub-divisions.
  - Viability of tying up with the revenue billing software.
  - Willingness and aptitude of the employees.

Thus, due to incomplete and unreliable database the Board failed to achieve the intended objectives namely,

- Digitising leaks, bursts, overflows, *etc.*
- Enabling generation of reports for remedial action.
- Analyse effects of pressure of water flow.

#### **3.3.6 Bengaluru Ganakeekrutha Grahakara Seve (BGGs) - Revenue Billing System**

Prior to BGGs, a revenue billing system developed by M/s N Soft (I) was being used. In June 2002, Board decided to request National Informatics Centre (NIC) to develop new software for revenue billing system (BGGs) to overcome the snags associated with the old software. The normal procedure of selection of developer through tendering process was not followed.

**Absence of a clearly documented URS resulted in non provision of critical controls and security in the billing system**

### ***User Requirement Specifications***

A documented User Requirement Specification (URS) detailing essential features and to serve as a benchmark for ascertaining whether the package was developed in accordance with the objectives was not drawn up which resulted in many deficiencies as discussed in succeeding paragraphs.

#### ***3.3.6.1 Provision for reconciliation***

The process of reconciliation was particularly significant as number of credits and debits were huge and from varied sources like kiosks in sub-divisions, Electronic Clearing Scheme (ECS), agency like Bangalore One, *etc.* The package did not support reconciliation of revenue collected as per system with the bank balances of the Board and cheques received at kiosks, credited to Board's account were being reconciled manually every month. However, as the process of reconciliation was complex, the reconciliation had fallen into arrears for 2 to 12 months in 11 sub-divisions, involving Rs.121 crore. Further, it was also observed that debits and credits in respect of ECS transactions and Bangalore One Agency transactions involving Rs.62 crore remained un-reconciled.

#### ***3.3.6.2 Dormant connections***

Billing on the basis of consumption ceases when readings cannot be taken for various reasons like door locked, meter not accessible or damaged, *etc.* In such cases, only fixed charges were levied though water supply continued. The package did not ensure that the bills were raised in all such cases. In one sub-division, there were 1,787 cases where connections were dormant between 13 months and 36 months and in 1,078 cases beyond 36 months. In another sub-division it was observed that the bills were not issued for intervening months ranging from 3 to 34 months in respect of 16 consumers. The ineffective practice of reporting and absence of appropriate prompts by the system led to avoidable losses of water revenue of the Board.

#### ***3.3.6.3 Integration of collection agencies and Kiosks***

The collections through Bangalore One, the e-governance project of Bangalore city was not seamlessly integrated to the sub-divisional database as the payment of water bills by customers through the agency was not directly populated. The database was accessed through back-end to carry out transactions relating to payment through the Bangalore One agency and ECS. Any back-end changes to critical financial data as in this case indicates a serious risk which was compounded by the absence of any compensatory controls. Similarly, not connecting the kiosks through the local area network of the sub-division involved risk of data security.

### ***Input controls***

Audit observed that input controls were deficient. A few illustrative examples are indicated below:

#### **3.3.6.4 Lack of control over write-off option**

Write-off option in the package that goes to reduce the billed amounts did not have an input control, like keying in a compulsory documentary reference, where write off was approved by a competent authority. In some instances data entry operators used write-off option, for which they were not authorised to. Write-off entries for Rs.30,083 was not supported by reference to any document. Further, records of the Internal Audit Wing of the Board indicated that write-offs worth Rs.1.48 crore were made without any reference to supporting documents exposing the Board to risk of misuse/irregular waivers.

#### **3.3.6.5 Facility for correction of errors not provided for**

The package did not provide for correcting the errors in data entry. A correction was not possible, after bills for the month were printed. Corrections in such cases were carried out by accessing the database through back-end rendering the system vulnerable to manipulation. A sub-division had to resort to write-off option for updating the customer information following crash of kiosk.

#### **3.3.6.6 No provision for supervisory check**

Data entry of water meter readings from meter reader cards is being done by temporary workers without further authorisation/confirmation by a supervisor. As a result, errors in data entry went undetected. In one sub-division, errors in data entry in four cases involving Rs.14,348 were observed. Similarly, the package did not provide for recording the manual checks done by the supervisory staff.

#### **3.3.6.7 Capture of revenue receipts**

The package did not provide for entry of various receipts other than payment towards water bills like deposit, pro-rata charges, receipts towards lorry loads etc. Keying in details of a new connection did not start right at the application for a new connection stage. As a result, the system generated revenue realisation statement depicted only revenue realised from water bills. The other receipts had to be manually added to arrive at the overall revenue realised.

#### **Process Controls**

The package lacked many process controls affecting the accuracy of outputs and security of data, as detailed below:

#### **3.3.6.8 Calculation of average consumption**

The consumption for the month was taken as average of previous six months where meter reading was not available due to various reasons. However, wherever Suspected Meter Stop (SMS) was reported, average consumption prior to SMS was considered. Any error in not recording such condition or not reporting sub-normal condition as 'SMS' would result in booking lower demands as can be seen from six cases, involving short booking of demand by

40,600 litres. In the absence of suitable prompt/control in the system this practice created vulnerability of meter reader/data entry operator intentionally or inadvertently to record lower consumption, which could result in computation of lower average and consequent loss of revenue.

### 3.3.6.9 Deficiencies in design

The head office package provided for certain reports styled 'cost recovery statements' for use by the Board. However, it contained only demand for water supply booked and cost incurred was not taken into account for its computation.

The logon audit table created to store login and logout time of users did not have provision to capture time stamp thus defeating the purpose for which it was created.

## 3.3.7 Development of the Website of Board

### 3.3.7.1 Planning and co-ordination

The website of the Board was initially designed and hosted by hiring a private firm in the year 1999. The contractor was paid for 154 pages while only 50 pages were intended to be developed. Poor planning of pages and content and ineffective coordination of the work among the different departments furnishing the requirements, resulted in an extra avoidable cost of Rs.1.30 lakh. This further required changing the design of the website often on the ground that it was outdated or not user-friendly.

### 3.3.7.2 Inaccurate and inconsistent web pages

Many factual errors, information stated to be provided not available, messages carrying no meaning; items under "news" containing information more than five years old and numerous spelling mistakes/ not clearly framed sentences or conveying no meaning were posted on the website. Some more illustrations are detailed as under:

Item	Intended to display	Displayed
Projects awarded under International Bidding	Awarded projects	Not awarded
Non-Domestic tariff in the highest slab	Rate for one lakh litres	Rate for 10,000 ML
Achievements option	Achievements	Merely scrolls up the screen
Online Complaints Management System	Details of payment centres	Not working

### 3.3.7.3 Poor maintenance

In January 2006, the Board decided to entrust the maintenance, management of the website to NIC. Since a common understanding could not be reached in respect of Annual Maintenance Contract, the website was not updated after January 2006 and the website continued to show the names of officers holding key positions who had retired from Board service.

Thus, inaccurate and inconsistent approach to development and maintenance of the website at a cost of over Rs. five lakh resulted in not getting the desired benefits of proper projection of the board's status on the World Wide Web.

The Board replied (April 2007) that action would be taken to rectify the errors.

### **3.3.8 Kiosks based collection**



**Lack of a proper cost benefit analysis considerably added to cost of service**

The BGGs originally designed with a cash counter facility for collecting cash/cheques was implemented from April 2003. In January 2004, an agreement was entered with M/s. TATA INFOTECH for supplying, installing and commissioning of 75 bill payment kiosks at a total cost of Rs.4.11 crore (in two batches of 50 kiosks at Rs.5.47 lakh each and 25 kiosks at Rs.5.50 lakh each). The main objective was facilitating payment by consumers on 24 x 7 basis. No cost benefit analysis was carried out to ascertain current and future costs, whether cost of service would be affordable in view of the fact that Board was to provide the services on no-loss-no-profit basis as per Board's Act. The kiosks were not totally automated but merely collected cash/cheques from consumers. The services of the cashier were still required for counting cash, to prepare preliminary account, copy data for transfer to BGGs and handover the cash to the agent of the bank. In case of system crashes the contractor referred them un-authorisedly to another firm for recovery of data, which affected data security and entailed additional expenditure.

#### **3.3.8.1 Maintenance of Kiosks**

It was observed that there was no system to take a back up of the kiosk data between two successive transfers to servers through portable external storage devices (USB flash memory devices). Kiosks in the premises of the Board's sub-divisional/divisional offices were not brought on the respective LANs. As

such, the retrieval of data in case of crashes at kiosks would be very difficult. However, data in respect of a day's transaction of a sub-division was yet to be built up due to absence of such a back up (December 2006). The delays in restoration of faults were not monitored closely and penalties imposed for deficient service.

No complaint register had been maintained in many sub-divisions to record the date on which the kiosk went out of order and the date on which it was made functional. Only a few call reports were filed. The agreement laying down the conditions for annual maintenance and preventive maintenance was not produced to audit. It was also observed that the vendor had not supplied any operations/users manual and it was also not insisted upon by the Board. Thus maintenance of kiosks needed to be fine tuned for improved service.

#### 3.3.8.2 Delay in remittances

The agent of the bank acknowledged the cash and cheques received from kiosks on the same day. However, the bank accounted all such remittances after a delay of three to four days indicating delay in remittance by the agent. This had to be followed up and remittances brought to the Board's account the same day. The Board replied (April 2007) that the matter will be taken up with the bank.

#### 3.3.8.3 Security of Kiosks

**Machines acquired at high prices need to be closely monitored to obtain higher efficient service**

The consumers' ledgers were being updated through portable external storage devices (USB flash memory devices) which were used to copy the data from the kiosk in a text format and uploaded to the server through a client system. It was, however, observed that the data in the text format was not encrypted and hence not tamper-proof. Further, a duplicate key to cabinet housing kiosk was available with the security personnel (not being regular employees of the Board) for adjusting the printer, resetting the operating system, etc., which exposed the system to risk of irregularities. The vendor had not handed over the source code to the Board. Consequently, the Board had to depend on the vendors for any modifications to the software. The kiosk accepted even fake notes as there was no mechanism for detection of fake notes. This exposed the Board to risk of losses. Thus, expensive machines acquired at a cost of over Rs.four crore have to be more closely monitored obtaining prompt service from contractors and levying penalties for delays.

#### 3.3.9 Objectives of LAN/WAN Network not achieved

**Lack of feasibility study resulted in not meeting the objectives of the LAN-WAN facility set up at a cost of Rs.1.33 crore**

The Board approved in June 2002 providing LAN and WAN connecting computer systems in all divisions and sub-divisions with the head office systems at an estimated cost of Rs.1.68 crore. The work was split into two portions and tenders finalised. The first work of networking was entrusted to M/s. HCL-COMNET at an estimated cost of Rs.81.91 lakh and the second

portion being supply, installation and commissioning of hardware, software was entrusted to M/s. WIPRO at a cost of Rs.29.25 lakh. It was observed that the LAN-WAN facility was not being used as stated below:

- (i) The Head office did not access accounts of all divisions on line. The accounts were compiled by divisions and sent to head office on CDs or other media even though the WAN connectivity existed;
- (ii) The Engineer-in-Chief (Kaveri) did not receive daily flows from CWSS I, II, III at head office for review;
- (iii) The GIS information was not obtained online;
- (iv) The connectivity was not used between head office and the sub ordinate offices to facilitate officers to access the relevant data on line.

The facility set up at a cost of Rs 1.33 crore could not meet the objectives due to lack of a thorough feasibility study and carried out without reference to any overall IT plan and also rendered the facility being grossly underutilised.

Board replied (April 2007) that an action plan was drawn to set up a “Data Centre” to meet the objectives.

### **3.3.10 Maintenance and Security of systems, data and other IT assets**

#### **3.3.10.1 Maintenance of BGGs**

There were no centralised instructions on creation of user-IDs. In one sub-division user-IDs were created for all users afresh every time there was a change of the Head of the sub-division. In another sub-division a retired manager’s user-ID was active. Audit observed that data entry was carried on by temporary staff like security service personnel. Even write-off of dues was carried out by such personnel. This indicated that instructions for assigning roles were needed.

Further, there was no adequate documentation regarding break downs, downtime of IT Assets and details of preventive maintenance carried out. Problems reported, dates and time when complaints were attended were not systematically maintained and followed up by levy of penalties for delays in rectification. No operations manual was supplied by the vendor which affected systematic and smooth operation of the package. User manuals were not updated with the change in versions of software package. While software package being used was of version 3.0, manuals available were of only version 1.1.

### 3.3.10.2 Security of Server

**Inadequate security arrangements exposed the system to risk of damage to IT assets and misuse of systems**

Server room was not kept under lock and key in the test-checked sub-divisions. Computer systems were installed in the server room and printing activities were carried on. A log book for monitoring the activities of server operations, its security, problems of facilities and speed of the network, *etc.*, was not maintained or was not up to date in the sub-divisions test-checked.

There was no fire fighting equipment in/around the server rooms. No systematic record was maintained regarding periodical maintenance/on call details in respect of hardware, UPS, Printers, *etc.* Protecting the server room and other IT assets against possible physical damage or unauthorised access needed to be considered and appropriate instructions issued.

### 3.3.10.3 Access controls

No review of access profiles was carried out in central office as well as in divisions/sub-divisions. In some of the sub-divisions test-checked, there was no mechanism to monitor the unsuccessful log-ins by unauthorised persons. Many users were leaving the system open and there was no mechanism for automatic log off after some time which rendered the system exposed to risk of unauthorised use. No written instructions were issued regarding change of passwords periodically and structure of passwords. No segregation of duties was observed for functions like data entry, system administration, system development and maintenance, change management and security administration, no job description documents were maintained.

### 3.3.10.4 Data security controls

It was observed that the data, revenue billing in particular, was not classified into different classes according to security considerations and access roles defined for the different classes on a "need to know" basis. There was no system to define, implement and maintain security levels by each of the data classification identified above the level of "No Protection Required". In view of the high sensitivity and significance of the revenue billing package and GIS package, the management should provide for sufficient cross training or back up of identified key personnel to address unavailability. The management should establish succession plan for all key functions and positions. Personnel in sensitive positions should be required to take uninterrupted holidays of sufficient length to exercise the organisation's ability to cope with unavailability and to prevent and detect fraudulent activities. However, it was observed that no such provision was made.

No programme to highlight the importance of security awareness had been arranged in any of the locations test-checked. Holding of such programmes to increase security awareness could be considered to avoid possible losses due to security lapses. No procedures and guidelines were in place to ensure that employees did not use unauthorised, unlicensed personal software. Moreover, adequate preventive, detective and corrective procedures were not in place to



protect the data and systems from intrusions, from Internet and public network (by installing appropriate firewalls).

In view of the huge revenue transactions being handled by the system, security of data and IT assets needs to be reviewed and appropriate measures taken to minimise the risks involved.

### **3.3.11 Change management controls**

**Lack of Systematic change management controls could not bring out orderly documentation of changes to system**

A number of changes to the BGGs software and other packages had been carried out after it was installed in the year 2003. To minimise the likelihood of disruption, unauthorised alterations and errors getting into the application package, a management system that provides for the analysis, implementation and follow-up of all changes requested, was to be in place. However, no documents had been maintained in respect of request for change, specification of change, request to move source into test environment, completion of acceptance testing, request for compilation and move into production, overall and specific security impact.

Lack of systematic change management controls exposes the system to risk of unauthorised changes in system and consequent errors and irregularities.

### **3.3.12 Business Continuity Planning and Disaster Recovery Management**

#### **3.3.12.1 Off-site storage of back up data**

**Inadequate arrangements for back up could lead to avoidable loss of data and time in case of crashes**

Back up of data were being taken at the end of each day in a weekly cycle and stored in the table-draw of the clerk in the test-checked sub-divisions. No instruction for storage of back up media, its location, off-site back up *etc.*, was available either in the Central Office or sub-divisions test-checked. Further, even though back up was taken on tape cartridges no mechanism was in place to record that the back up was actually taken and periodically tested independently for retrievability. Back up procedures needed to be reviewed for safe custody of the first copy in strong room/steel cupboards, considering storage of a second copy in off-site location as also a system for a regular check of the retrievability of the back up data to guard against non-availability of back up data in case of fire, *etc.*

#### **3.3.12.2 Inadequate emergency response procedures**

**There was no well developed business continuity plan to take care of IT assets in case of disasters**

No business continuity and disaster recovery plans were drawn up. Moreover, no guidelines, emergency procedures, response and recovery procedure to bring business back after a disaster, co-ordination procedure with public authorities, customers, and media were in place to retain source documents so

that data was reproducible and to facilitate reconstruction in case of disasters which exposed the Board to losses due to disasters.

### **3.3.13 Conclusion**

The vision of the Board to use information and communication technologies to improve the quality of services to citizens is commendable. The IT projects embarked upon by the board have the potential of transforming the age-old practices resulting in qualitative improvement in delivering of services. However, the vision of the Board was not backed up with adequate efforts in planning and operationalising the initiatives. This resulted in sub-optimal achievement of objectives of computerisation.

### **3.3.14 Recommendations**

- The data on GIS must be maintained up-to-date to be useful for meaningful management decision making.
- Appropriate controls should be provided to take care of reconciliation and write-off and other security features in the Revenue Billing System (BGS).
- Interface between GIS and BGS should be established early.
- LAN-WAN facility should be put to use.
- The website of the Board needs to be updated and fine-tuned to be error-free and to properly project the profile of the Board.
- Appropriate controls and validations should be introduced to take care of accurate data inputs and outputs.
- The Board immediately needs to formulate and document IT policy and IT strategy. It needs to re-work entire strategy towards computerisation to harness true value of IT not only in enabling business but in improving processes.
- The Board should come out with a comprehensive plan addressing the issue of security of IT assets which should be complemented by a proper disaster recovery plan to ensure continuity of operations in case of an adverse event.
- Appropriate change control procedures should be adopted to make the changes to the system more orderly and with proper authority.

The above points were reported to the Government in May 2007; reply had not been received (October 2007).

## REVENUE DEPARTMENT

### 3.4 Computerisation of Land Records in Karnataka – BHOOMI

#### Highlights

*'Bhoomi' a land information system was implemented to facilitate issue of accurate record of rights by updating changes like transfer of ownership, creation of database of irrigation facilities, natural calamities, etc., for effective revenue administration, land reforms and development planning at grass-root level. The project was implemented with incomplete original records and inadequate Information Technology (IT) controls leading to creation of a system that did not ensure reliability, safety and security of data and other IT assets. Consequently, the system did not aid issue of accurate record of rights and achieve other objectives such as planning at grass-root level etc.*

**There was no mechanism for off-site back up of data and to record that the back up was actually taken and periodically tested independently that they were retrievable.**

**(Paragraph 3.4.7.1)**

**The system lacked various controls to ensure complete data accuracy and reliability.**

**(Paragraph 3.4.8)**

**Names of the land owners in 99,186 cases and khata numbers in 53,055 cases were recorded as junk characters in 3 taluks test-checked. Extent of land was recorded as zero in 53,069 cases in 3 test-checked taluks. Also data in several fields were found incorrectly captured.**

**(Paragraph 3.4.8.1)**

**The incomplete data in original records carried to the database needed to be cleaned up to facilitate achievement of objectives like planning at grass-root level, etc.**

**(Paragraph 3.4.8.3)**

**There were delays in updation of crop data; updation was also incomplete.**

**(Paragraph 3.4.8.4)**

#### 3.4.1 Introduction

Government of India (GOI) conceived the scheme of Computerisation of Land Records (CLR) for implementation by State Government to overcome the problems inherent in the manual system of maintenance and updating of land records (1988-89). In Karnataka, Gulbarga District was chosen for implementation as a pilot district. By 1996, the project was extended to cover all the districts of the State. According to the State Government, the project

fizzled out, among other reasons, due to the fact that the funds under the project were sanctioned for capturing data only, without any funds for computers at taluk places. However, the State Government mandated that computerisation process must be completed in all the taluks by March 2002 and an application package called BHOOMI<sup>23</sup> was got developed from National Informatic Centre (NIC), Bangalore. The scheme was operationalised by implementing it in all 177 taluks and 26 special taluks of the State by March 2002. Currently, the farmers are issued only computerised RTC<sup>24</sup> and the issue of manual certificates has been banned (from June 2002 onwards). BHOOMI is a fully online system to carry out mutations on land records data. It is also provided with finger print biometrics to ensure fool proof authentication. First in First out mutation process has been built-in to eliminate favouritism. Further efforts are on to introduce issue of digitally signed RTC with a public key infrastructure to establish the system with non-repudiation.

A significant portion of the work was financed by GOI (Rs.22.28 crore) out of Rs.29.27 crore incurred so far on the project.

### **3.4.2 Organisational set-up**

At Government level, Principal Secretary, Revenue Department heads implementation and monitoring of BHOOMI. A state level committee on computerisation of Land Records was set up to decide on all major policy issues referred to it. The Secretary to Government of Karnataka, e-Governance also nominated as Special Secretary, Bhoomi, was monitoring the project since inception.

The Deputy Commissioners were assisted by a few Assistant Commissioners at the District level. At taluk level, Tahsildars were assisted by Deputy Tahsildars (Shirastedar)/Revenue Inspectors and Village Accountants. Every Deputy Commissioner was also assisted by a technical consultant hired for day to day technical support.

The Department has set up a Bhoomi Monitoring Cell in the Revenue Department secretariat which monitors the day to day activities in the entire State.

### **3.4.3 Audit objectives**

The audit objective of the IT review was evaluation of controls built in, to ensure data integrity, security of data, systems and other IT assets apart from assessment of the efficiency and effectiveness of the system in achieving the stated objectives and adequacy of good practices of IT governance.

<sup>23</sup> BHOOMI - The land records management software

<sup>24</sup> Record of Rights, Tenancy & Crop Inspection Certificate

#### **3.4.4 Scope and methodology of audit**

The project has been fully operational in 203 locations in the State. Data of 20 million records have been captured over a period of five years. Performance audit of the project was undertaken by test-check of records in the offices of Bhoomi Monitoring Cell at State level, four Deputy Commissioners<sup>25</sup> and seven Tahsildars<sup>26</sup>. The sample data contained in data tables of Taluk Offices furnished was scrutinised using the Generalised Audit Software IDEA<sup>27</sup>. Entry and Exit Conferences were held with the Department in February 2007 and November 2007 respectively.

The audit findings are discussed in the following paragraphs;

#### **3.4.5 Objectives of the project**

According to Government of India guidelines (1988-89), the main objective of CLR scheme was that landowners should get computerised copies of Records of Rights (RORs) at a reasonable price. The ultimate objective of the scheme was 'on-line management' of land records in the country.

The guidelines were revised in 1999 as under:

- To facilitate easy maintenance and updating of changes which occur in the land data base such as changes due to creation of irrigation facilities, natural calamities, consolidation of land holdings or on account of legal changes like transfer of ownership, partition, land acquisition, lease *etc.*
- Computerisation of ownership and plot-wise details for issue of timely and accurate copy of the record of rights to the land owners. Creation of 'land information system' and database for effective land reforms, revenue administration and development planning at the grass-root levels.
- Low cost, easily reproducible storage media for reliable preservation for longtime. Fast and efficient retrieval of information, both graphical and textual.

#### **3.4.6 Implementation of the project**

The ultimate objective of the scheme of 'On-line Management' of land records required spatial data consisting of maps of the agricultural lands along with non-spatial data like details of ownership *etc.* Out of 177 taluks, scanning of cadastral survey maps<sup>28</sup> was taken up only in 26 taluks at a cost of Rs.1.50 crore. Work in remaining taluks was yet to be taken up and the objective of capture of spatial data and making it available to all beneficiaries was yet to be achieved.

**Even though computerised RTC are being issued major objective of digitizing spatial data was yet to be achieved**

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<sup>25</sup> Bangalore (Rural), Bidar, Kolar and Madikeri

<sup>26</sup> Bangarpet, Bidar, Hoskote, Madikeri, Nelamangala, Ramanagara and Siddlaghatta

<sup>27</sup> IDEA – Interactive Data Extraction and Analysis

<sup>28</sup> A cadastral map is a map showing details like boundaries, ownership, survey number, *etc.*, of a land

Government replied (October 2007) that objectives of the BHOOMI programme could not be taken to be the objectives of the new scheme of Land Reforms Management System. The reply is not tenable as Government of India guidelines of 1999 included the work of fast and efficient retrieval of information, both graphical and textual and therefore spatial data was required to be dovetailed to textual data.

### 3.4.7 General Controls

While developing an IT system all user requirements are to be documented and taken care of; documentation must also be available for the initial system design and subsequent changes *etc.* Audit observed the following:

- Feasibility study and User Requirement Specification (URS) were not formally documented.
- System Design Document (SDD) was not approved before the commencement of the work.
- There were no specific arrangements for safe disposal of e-waste.
- None of the test-checked taluks had provided for a helpdesk with feature like customer query escalation/monitoring and their clearance *etc.*

#### 3.4.7.1 Off-site storage and test of backup data

Back up of data was being taken at the end of each day in a weekly cycle and stored in the same building in some of the test-checked taluks. The data of all centres in the State was being backed up in the State Data Centre (SDC) of the e-Governance Department on a daily basis. There was no procedure to ensure that the data relating to the periods where a particular centre was out of the VSAT link was also backed up. An off-site back up could avoid losses in case of any disaster at the centre. No mechanism for such off-site backup was available.

Further, even though backup was taken on DAT cartridges no mechanism was in place to record that the back up was actually taken and periodically tested independently for retrievability. Back up procedures needed to be reviewed for safe custody of the first copy in strong room/steel cupboards, considering storage of a second copy in off-site location as also a system for a regular check of the retrievability of the back up data of both taluk centers as well as back up taken at the SDC.

Department stated that periodical test of retrievability of the backup data will now be carried out and documented and directions will be issued to that effect.

#### 3.4.7.2 Back up power supply

State Level Committee had decided that all taluks would be supplied with generators (December 2001). However, 26 taluks were yet to be provided with generators. In the test-checked taluks the generators were not working in some places and details of amounts spent/quantity of diesel used were not maintained. An analysis of reported downtime of generators between April

Inadequate arrangements for back up could lead to avoidable loss of data and time in case of crashes

Inadequate backup power supply arrangements could affect the health of Servers, replication of databases via V-SAT

2006 and October 2007 revealed that there were 38 instances when the generators were not functioning, ranging from 24 hours to 20 days in 26 taluks. The UPS backup capacities were as low as 10 minutes in some places. The absence of continuous power supply could affect the health of the Servers as well as replication of the data bases at SDC via V-SAT. Government replied (October 2007) that generators were working in all 177 taluks and UPS provided were able to cater to the needs, in 26 non-taluk centres.

The fact remained that working of generators needed to be monitored.

#### **3.4.7.3 Inadequate emergency response procedures**

**There was no well developed business continuity plan to take care of IT assets in case of disasters**

No business continuity and disaster recovery plans were drawn up. Moreover, no guidelines, emergency procedures, response and recovery procedure to bring business back after a disaster, co-ordination procedure with public authorities, customers and media were in place to retain source documents so that data was reproducible and to facilitate reconstruction in case of disasters which exposed the department to losses due to disasters.

Department stated that action would be taken to engage a consulting agency and create Comprehensive Disaster Recovery Management and Business Continuity Document covering all relevant points.

### **3.4.8 Data accuracy/Completeness**

It is pertinent that the database of any computerised system has to be correct and complete in all respects. For which, it is necessary to ensure that the procedures and controls reasonably guarantee that (i) the data received for processing are genuine, complete, not previously processed, accurate and properly authorised and (ii) data is entered accurately and without duplication. Data validation is a process for checking transaction data for any errors or omissions and to ensure the completeness and correctness of input.

#### **3.4.8.1 Creation of databases**

**Payments made by district officers for data entry work without adequate verification resulted in many discrepancies in the database**

Databases were prepared from the manual records. However, no efforts were made to ensure correctness of manual records before these were entered in the system. This coupled with inadequate and ineffective input control mechanism like 'Supervision of data entry' *etc.*, resulted in the data containing inaccuracies and impossibilities as indicated below in this paragraph;

Data entry was entrusted to outside agencies for capture of all land records in the State at a cost of Rs.5.52 crore. The agencies furnished checklists after data entry, for check by departmental officers. Checklists were to be verified with original records by Taluk Offices and discrepancies communicated for effecting corrections to the database. In the test-checked offices, audit observed that the verified checklists were not returned to taluk offices. Thus, it could not be verified, whether the discrepancies pointed out were actually

rectified. While verification of checklists was to be carried out in Taluk Offices, payments to agencies for the work were made by the district officers without documenting the quantity of work involved, progress of work done, extent of check lists generated and verified.

Government mandated that the first set of printed RTC were to be checked with manual records by higher officers at different levels (Village Accountants-100 *per cent* to Deputy Commissioners 1 to 2 *per cent*) to ensure accuracy of the data captured. A total of 2,89,489 applications for corrections were received in seven districts in the year immediately after creation of databases which goes to show that errors in data entry were not substantially eliminated before payments were made for data entry.

In one village, audit observed four cases of difference between manual records and printed certificates. Differences were also observed between manual and printed RTC's, in various columns like individual extent (10 cases), wife/daughter (4) crop grown (2), acquisition mode, khatha number, land utilisation, mutation number, source of irrigation and total extent of land.

In two test-checked villages, total number of RTC's as per original records varied from what was captured in BHOOMI. In one case, a new RTC was found in BHOOMI database measuring 34 acres which did not exist in original records.

Similarly, data capture errors were observed in 21 cases in 10 test-checked villages. In three test-checked offices, 53,055 instances were found containing junk characters for 'khatha' numbers. Fathers' names of owners of land and owner's names were found entered as junk characters in 99,186 cases. No irrigation/soil type details were captured for 112 and 137 villages respectively.

Government replied (October 2007) that many of the applications for corrections were due to insufficient data in original records. Further, there were no junk data other than in about 10 cases.

However, audit observed that at least 200 cases of junk characters captured for names which were furnished to Bhoomi Monitoring Cell.

Government further replied that the number of applications received was far less compared to the number of records keyed in. Similarly, the number of errors observed was stated to be very few compared to total record captured in the State. However, no details such as the number of errors observed vis-à-vis the number of applications received for correction was furnished in support of the contention of the Government.

Audit observations were only on a test-check. In any case complete data accuracy is to be ensured.



**Inadequate  
input controls  
resulted in  
many  
deficiencies in  
data capture**

In addition, the following was observed about the databases

- i) There was no documentation about creation of master tables, including the steps followed, persons authorised and dates of their creation.
- ii) There were duplicate codes in the master table and codes existed even for irrelevant entries containing blanks and junk characters.
- iii) There were missing master codes about which the Department stated that this could be due to non execution of scripts issued to add some codes and stated that cases pointed out would be examined and errors rectified.

The RTC among others depicted owners name, cultivators name, total area of land holding and area of land held by each owner. Data analysis revealed the following:

- Aggregate area of individual owners holding more than the total area for a piece of land (8 cases)
- Aggregate area of crop grown more than the area of a piece of land (11 cases)
- Entry of names of cultivators other than the owners name in single owner cases (7 cases)
- Entry of cases with area of land as “Zero” (53,069 cases)

Government replied (October 2007) that differences were in the original records and could not be handled by the project, as the procedures as per revenue laws were to be followed to correct the same in any way. The owners and cultivators' names could be different for specific reasons.

Reply is not acceptable as the monitoring checks could have been built-in and pursued till finality. Differences in names of owners and cultivators had to be controlled by employing suitable codes for isolating the differences and clearance by close monitoring.

#### **3.4.8.2 Operation of Defaults**

To facilitate capture of data, a default value was set for some of the data fields. Such value should have automatically been recorded, if no other value was keyed-in.

- Default values for lands were set as ‘private’. It was observed in three test-checked offices that, 1,623 cases of Government lands were marked as ‘private’ and 43 cases of private lands were marked as ‘Government’, indicating that the correct data was not keyed in.
- Default defining sex of the owner was set as ‘Male’. It was observed that in 1,041 cases, ‘Female’ owners were found recorded as ‘Male’.
- In 27,265 cases of transactions, default set up did not operate as blank data was found involving four fields where defaults were set.

Government replied (October 2007) that default values for sex, government/private marking only affected Management Information System Reports and did not affect title of the property.

Audit is of the opinion that it still remained an incorrect data entry.

#### **3.4.8.3 Errors in original records**

As the original records were maintained over decades, many errors had inadvertently crept in them. The Department stated that such differences were needed to be retained until they were removed through an order, as and when a case was observed during a mutation, they would be rectified.

In such cases action has to be expedited to rectify them, within a definite time frame by escalations to higher officers, as otherwise errors would continue for a long time in cases where no occasion for mutation arises. The inaccurate and incomplete data affected the achievement of objectives of BHOOMI like creation of irrigation facilities, consolidation of land holding and reforms, revenue administration and planning at grass-root level.

#### **3.4.8.4 Updating of data relating to crops**

Every season, the village accountants submit, a set of land holdings where crops grown were different than the previous season. The taluk office marks all such cases in the database. A soft copy of the data so marked was handed over to outside agencies for crop updation work. Printouts of check lists were taken by the agencies in which village accountants entered crop data by field visits. The crop data was then imported into the database.

It was observed that the checklists were not received back from the data entry agencies and preserved in any of the taluks test-checked. Thus there was no way to ascertain whether the data fed in the system was accurate or not.

It was observed that there was no second level checks of making crop updation and authentication of collection of crop data. No records were maintained regarding progress of crop updation work in the test-checked taluks.

According to Bhoomi State Level Committee's decision in December 2001, the crop updation had to be carried out at the end of each of the three seasons of Kharif, Rabi and summer. The committee felt that putting data on BHOOMI every season would make such entries irreversible. Further, it would be of tremendous help to user departments like Agriculture, Economics & Statistics, Banks and Co-operative Societies who could be, even charged fees for provision of data.

Audit observed that data for only one/two seasons were captured every year in a taluk (Mandya) that had full irrigation facility. In one district the data of a season was captured after a lapse of one year.

**Lack of second level checks and verification of final checklists could lead to inaccurate data**

Non-capture/delayed capture of data affected the beneficiaries getting benefits like farm credit and also resulted in non-availability of timely data to user departments.

The department stated that the crop updation was ensured to be done within the stipulated time. A calendar of events had been drawn up. In case of crop updation not being undertaken and completed within the stipulated time, BHOOMI blocks mutation processes. This ensured that there was enough pressure on taluk staff to update crop data in time.

Government replied (October 2007) that crop updation was done for one, two or three seasons in a taluk depending upon whether crops were grown in one, two or three seasons.

The fact remained that the crop updating was not being carried out for three seasons in a year even in one well irrigated taluk. Close monitoring was needed for timely crop updating with introduction of second level check for making the data more accurate.

#### 3.4.8.5 Reconciliation with survey Records

The land records built-up and maintained from survey operations in the survey department contained Village wise and Hobli wise (group of villages) area computed with an analysis of nature of lands. The data captured and stored in the Bhoomi Databases, varied with those of survey records as illustrated below:

Place	No. of villages Data Checked	Area recorded in (in acres)	
		Survey Records	Bhoomi Database
Ramanagara	8	10,817.86	11,422.60
Bangarpet	5	5,996	4,680.19
Bidar	12	39,580.60	39,439.43
Nelamangala	3	2,853.61	3,005.35
Hoskote	5	2,846.42	1,999.09

Number of land holdings were not linked to survey records as in two villages test-checked, number of holdings as per the database (473) were less than those recorded in survey records (508). Such inconsistencies in data affect their reliability.

Department stated that after mutations, records are sent to survey Department for reconciliation with Survey data and RTCs are created or modified appropriately keeping in mind the provisions of Karnataka Land Revenue Act.

The reply was not tenable as the properties undergoing mutations were only a small portion of the database and unless the reconciliation with survey records was cent *per cent*, the reliability of the BHOOMI data base would be affected.

### **3.4.9 IT Security**

#### **3.4.9.1 Data Safety/Security**

Data, crucial to an organisation need to be protected from every possible threat. Thus the security and safety of data has to be strengthened by restricting access to the data and data centre both physically and logically and by keeping and reviewing proper logs and audit trails.

#### **3.4.9.2 Hiring of agency for review of security**

In April 2003, Government of India approved a release of Rs.10.28 lakh for “Software Security Vetting for BHOOMI Project” through NICS, New Delhi. M/s Ernst and Young were engaged by NICS, to review various processes and general IT controls relating to Bhoomi.

A work order for a sum of Rs.9.35 lakh was issued for the work by M/s. NICS, New Delhi to M/s. Ernst & Young in April 2003. The firm submitted a preliminary report for discussion in October 2003. The State Government in March 2004 recommended 75 per cent of payment to M/s. Ernst & Young subject to furnishing the final reports.

The firm had not furnished the final report and action on the following points was yet to be taken by the Department:

- Preserving administrator’s password in a sealed cover
- CMOS password to be implemented in all taluks
- Disabling of floppy disk drives and CD ROM drives
- Restricting entry to server rooms
- Keeping back up media under lock and key

Department stated that action would be taken on all the points raised by M/s. Ernst & Young.

Government replied (October 2007) that action is being taken on restricting entry to server rooms and keeping back up media in treasuries. Early action was needed to take care of all security aspects.

The following points regarding data security were observed in audit:

#### **3.4.9.3 Physical access controls**

Server room was not kept under lock and key in the test-checked taluks. Computer systems were installed in the server room and printing activities were carried on. A log book for monitoring the activities of server operations, its security, problems of facilities and speed of the network *etc.*, was not maintained in the taluk offices test-checked.

#### **3.4.9.4 Logical access controls**

**Lack of review of access controls could lead to misuse/loss of data**

Log-in identities with passwords created for various users of BHOOMI package were not periodically reviewed as IDs of many users relieved of their duties were not deleted or deactivated. The package allowed creation and change of passwords only by the administrator and not by the users themselves. No written instructions were issued regarding change/coinage of passwords.

Log-in identities for every user of the application package were created in the operating systems of each taluk-server to which, bio log-on software was interfaced. Security definition in the operating system was set as 'only with finger print authentication' for all users. Every user had to therefore register his fingerprint and authenticate on log-on and at important stages of modifying/saving changes to database.

The database recorded the IDs of users creating/saving records. However, a continuous review carried out by comparing user-IDs created and actually used (database) along with security definitions set in those cases was critical.

While such reviews could not be carried out at taluk level due to lack of access/privileges, neither the BMC nor the SDC documented that any such review was carried out.

Similarly, reports regarding security breaches like system resources, view or change security definitions and rules, status change of system security were also not being generated periodically and reviewed and placed on record.

Department stated that bio-log on IDs were created only in BMC. Further, details get replicated to the central active directory at SDC.

Apart from replication, deviations like extra IDs created, IDs no more required are deactivated and long unused IDs are to be reviewed to minimise the risks of unauthorised access. The Department added that it would examine whether un-authorised attempts should be audited.

Department further stated that after the data centre has been put in place, all the computers were part of a single domain. Revenue Department would at an appropriate time, take up audit of the Bhoomi part of the SDC.

#### **3.4.9.5 Review of security settings**

In view of the bio-metric authentication details not being integrated with database due to limitation of SQL Server software, review of security setting like conditions of access assumes importance. The privileges in taluk servers have been blocked and all security settings were carried out centrally after setting up of SDC.

Audit observed that documentation of review of deviations of security settings were not being carried out periodically at the SDC which could lead to non detection of unauthorised access and exposed the system to risk of misuse.

### **3.4.10 Monitoring**

#### **3.4.10.1 Use of exception reports**

BHOOMI provided for generation of a number of reports for use of local management. Follow up of various exception reports were not documented to the effect that they were pursued till clearance.

Government replied (October 2007) that MIS Reports were being used for monitoring and perfecting the database by Deputy Commissioners.

However, there was no manual/electronic documentation that they were so used.

#### **3.4.10.2 Stock Register of IT Assets**

A stock account of all IT assets was not maintained in the test-checked taluks. A periodical physical verification was not carried out as to the availability and condition of the assets. This could lead to misuse or pilferage. Early action was therefore needed in the matter.

#### **3.4.10.3 Internal audit**

No internal audit of IT Systems was being carried out periodically. A continuous internal audit helps in getting an assurance that the systems are maintained as per methods, procedures and instructions issued from time to time.

Government replied (October 2007) that instructions will be issued in this regard.

### **3.4.11 Other points of interest**

#### **3.4.11.1 Agreement with Software Developers**

It was observed that no formal agreement clearly defining the scope of work, time frame for completion *etc.*, was entered into with NIC. No specific details in this regard like obligations on the part of NIC were documented. Absence of such agreements leads to uncertainty of obligations as regards security and ownership issues.

Government replied (October 2007) that discussions were held with NIC regarding timeliness of completion and that projects were carried out as per timeliness agreed. Reply is not acceptable, as apart from timeliness, security and ownership issues need to be documented.

### 3.4.11.2 User charges Account

Funds kept outside Government Account due to lack of monitoring of reconciliation

The user charges collected at the taluks were to be remitted to the PD Account of the Deputy Commissioner into the Sub-Treasury on the following day. In one test-checked taluk the user charges were remitted to the Sub-Treasury after a delay ranging up to 66 days involving an amount of Rs.7.87 lakh collected between January 2007 and July 2007 thus keeping the cash outside the Government Account.

It was also observed that no reconciliation was being done between amounts remitted by taluk offices and treasury figures by the Deputy Commissioner's Offices. Government replied (October 2007) that absence of a specific head of account for remittance of user charges posed a problem for reconciliation and Deputy Commissioners would be instructed to reconcile for periods prior to computerisation in treasuries. Early action was needed to reconcile periodically.

### 3.4.11.3 Touch Screen Kiosks not working

Touch Screen Kiosks were not working in the test-checked taluks

Touch Screen Systems were provided only in 37 taluks out of 203 locations for easy access of RTC information for members of Public. It was however observed in the three taluks test-checked that the systems were either out of order or not installed. Unless early action was taken to repair/install the systems, the farmers would be denied of the facility as also the expenditure incurred on these systems would be unfruitful.

Government replied (October 2007) that the touch screen kiosks were non functional only for some time in two places cited and were now working in all places.

The reply is not acceptable as the data tables for Nelamangala and Ramanagara taluks showed scanty/nil use.

## 3.4.12 Conclusion

While significant progress had been made in the work of creation of database, digitisation of spatial data was yet to be completed. In absence of adequate controls, completeness and reliability of data as well as safety and security of data could not be ensured.

## 3.4.13 Recommendations

- The data needs to be examined for inaccuracies and corrected. Data updation procedures should be strengthened.
- Data safety and security issues need to be identified and attended to.
- A mechanism needs to be put in place for off-site backup of data, to record that the back up was actually taken and to periodically test independently for retrievability.

The reply (October 2007) of the Government has been incorporated at appropriate places in the review.

**FOREST, ECOLOGY AND ENVIRONMENT DEPARTMENT**

**3.5 Afforestation programme including compensatory afforestation**

*Highlights*

*The State, having a geographical area of 1.92 crore hectare had a recorded forest area of 44 lakh hectare in 2005. The forest cover in the State remained stagnant at around 36 lakh hectare during 2001-05. Implementation of afforestation programme was adversely affected due to inadequate release of funds, raising plantations without site specific plans, non-following the 'package of practices', under-utilisation of compensatory afforestation funds and slackness in monitoring.*

State Government had not formulated any State forest policy. The target of afforestation in the Annual Plan of Operations (1.70 lakh hectares) was short of projections in the Working Plans (2.73 lakh hectares) due to low budget allocations.

(Paragraphs: 3.5.7 and 3.5.7.1)

The extent of forest cover of the State was not assessed which for the State, as per Forest Survey of India report, remained almost stagnant between 2001 (36.99 lakh hectares) and 2005 (36.45 lakh hectares).

(Paragraph: 3.5.9)

Seedlings numbering 3.73 crore were raised during 2002-07 beyond the time specified in 'package of practices', the adverse impact of which had not been assessed.

(Paragraph: 3.5.8.2)

The Department raised exotic species like acacia and eucalyptus in an area of 91 thousand hectares in violation of the approved working plans and without assessing its impact on the ground water and soil characteristics.

(Paragraph: 3.5.9.2)

Delay in transfer of compensatory afforestation charges after May 2006 to the Central pool resulted in loss of interest of Rs.13.52 crore to the Compensatory Afforestation Fund Management and Planning Authority fund. 'Net Present Value' recoverable from user agencies was under-assessed to the extent of Rs.3.26 crore by adopting lesser value of vegetative density in 11 cases.

(Paragraph: 3.5.9.4)

The status of plantations was not ascertainable in the absence of record of inventories and updated plantation journals.

(Paragraph: 3.5.9.5)

Monitoring of afforestation programme was not effective.

(Paragraph: 3.5.10)



### 3.5.1 Introduction

The State with a geographical area of 1.92 crore hectare (ha) had a 'recorded forest area'<sup>29</sup> of 44 lakh ha in 2005 which constituted 22.39 *per cent* of the geographical area. The National Forest Policy, 1988 envisaged a 'forest'<sup>30</sup> and tree cover<sup>31</sup> of 33 *per cent* (63 lakh ha) by 2012 for maintaining the environmental stability apart from meeting the requirements of fuel wood, fodder, minor forest produce and small timber for the rural and tribal populations. Afforestation was taken up in the State under various State and Centrally Sponsored Schemes and under externally funded projects *viz.*, Forestry and Environment Project for Eastern Plains (FEEP) and Karnataka Sustainable Forest Management and Bio-diversity Conservation Project (KSFMBC) funded through loan assistance from Japan Bank for International Co-operation (JBIC).

### 3.5.2 Organisational set-up

The Department is headed by Principal Chief Conservator of Forest (PCCF) who is assisted by four Additional Principal Chief Conservators of Forest (APCCFs)<sup>32</sup> at State level, four Chief Conservators of Forest (CCFs)<sup>33</sup> and 12 Conservators of Forest (CF) at Circle level and 37 Deputy Conservators of Forest (DCF) at divisional level. The overall supervision and administrative control of the Department is vested with the Principal Secretary, Forest, Ecology and Environment.

### 3.5.3 Audit objectives

The audit objectives were to assess whether the:

- budgeted funds were made available and utilised as per approved programme;
- Working Plans (WPs) and Annual Plans of Operations (APO) were drawn up in accordance with the objectives of afforestation and guidelines thereof;
- raising, distribution and utilisation of seedlings were done economically and efficiently and as per requirement;
- compensatory afforestation was carried out as per the provisions of law and Government of India guidelines;
- maintenance of plants was as per 'package of practices'/ guidelines and that record of assets created was properly maintained; and
- programme of afforestation was monitored and evaluated from time to time.

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<sup>29</sup> Recorded forest area: Geographical area recorded as forest in Government records

<sup>30</sup> Forest cover: All lands more than one ha. in area with a tree canopy density of more than 10 *per cent* – not statutorily notified as forest area

<sup>31</sup> Tree cover: Computed area covered by crown of trees that are too small to be delineated by digital interpretation of remote sensing data used for forest cover delineation

<sup>32</sup> Working Plan, Personnel & Administration, Vigilance and Protection & Management

<sup>33</sup> Social forestry, Development, Western Ghat Project and Communication & Information

### 3.5.4 Audit criteria

The performance of afforestation programme in the State was assessed with reference to:

- Working Plans and Annual Plans of Operation;
- Departmental 'package of practices';
- Forest (Conservation) Act, 1980;
- Agreement with Japan Bank for International Co-operation and project reports;
- Rules and Guidelines issued under Forest (Conservation) Act, 1980;
- Codes and Manuals of the Department.

### 3.5.5 Scope and methodology of audit

The performance audit covering the period 2002-07 was conducted during February 2007 to June 2007 by test-checking records of the offices of Principal Secretary to Government, Forest, Environment and Ecology Department, PCCF and two<sup>34</sup> CCFs and 13 of 37 territorial<sup>35</sup> divisions. The sample selection was judgmental considering the magnitude of area covered under afforestation and expenditure incurred.

The audit objectives and criteria were discussed with the PCCF during the entry conference (February 2007) followed by discussion of audit findings with him in the exit conference (August 2007). The audit findings on the afforestation programme were based on the examination of records related to WPs, APOs, progress reports, sanctioned estimates, plantation journals, orders on diversion of forest land for non-forestry purposes, *etc.*

### Audit findings

### 3.5.6 Allocation of funds and expenditure

Afforestation in the State is carried under various State plan/non-plan schemes, Centrally Sponsored Schemes (CSS) and externally aided projects. Funds in case of externally aided projects and CSS are provided through budget allocations by the State for subsequent re-imburement by the funding agencies through Central Government. The year-wise position of funds allocated, released and expenditure incurred there against for afforestation<sup>36</sup> for the last five years ending 2006-07 was as under:

Percentage of shortfall in release of allocated funds ranged from 16 to 40

<sup>34</sup> Social Forestry and Development

<sup>35</sup> Bangalore (Rural), Bangalore (Urban), Belgaum, Bellary, Bidar, Chitradurga, Gadag, Gulbarga, Karwar, Kolar, Mangalore, Mandya and Tumkur

<sup>36</sup> Includes compensatory afforestation

(Rupees in crore)

Year	Budget allocation	Funds released	Expenditure	Percentage of shortfall in release of funds vis-à-vis allocation
2002-03	98.88	58.91	57.83	40
2003-04	77.92	57.33	54.19	26
2004-05	57.57	45.36	42.01	21
2005-06	89.47	53.94	50.58	40
2006-07	129.40	108.51	102.47	16
<b>Total</b>	<b>453.24</b>	<b>324.05</b>	<b>307.08</b>	<b>29</b>

**Comment [A(1)]:** The figures in respect of 2004-05 to 2006-07 have since been changed based on the figures furnished by the Department.

Percentage of shortfall in release of allocated funds during 2002-07, which ranged from 16 to 40, was mainly in case of FEEP (Rs.70.42 crore) and KSFMB (Rs.55.30 crore) projects reasons for which were not on record.

### 3.5.7 Afforestation management

The National Forest Commission, in its report (March 2006) had recommended that each State should have its own forest policy within the broad parameters of the National Forest Policy, 1988 for sustainable management of its forest. The Government had not formulated any State forest policy (March 2007). State Forestry Action Programme drawn up (May 1996) by the Department for a 20 year period 1997-2017 for conservation, rehabilitation and extension of forestry activities and forest management with people's participation had also not been approved by the Government. The Government, however, introduced (June 2002) a scheme of Joint Forest Planning and Management (JFPM) for promoting participation of people living in periphery of forest areas and making them joint stakeholders. Under the scheme, Village Forest Committees (VFCs) were to prepare management plans for development and protection of degraded forests.

VFCs numbering 201 were not assigned any forest area and were non-functional

Out of 1,893 VFCs<sup>37</sup> constituted up to March 2007 in 13 test-checked divisions, 201 VFCs though constituted prior to March 2005 had not been assigned any areas. In six divisions<sup>38</sup> (789 VFCs), no management plans had been drawn up and no memorandum of understanding executed in respect of 90 VFCs. Annual assessment of the working of VFCs had not been done in any of the test-checked divisions as envisaged in the project manual.

#### 3.5.7.1 Formulation of Working Plans and Annual Plans of Operation

Afforestation is managed by drawing up WPs for a period of 10 years for each territorial division after undertaking field surveys. The WPs contain annual plans for conservation and protection of forest areas, improvement of degraded forests and reclamation of mined areas. These also outline the 'working areas' for afforestation in 'blank areas' or areas having a vegetation density<sup>39</sup> of less than 0.25 and 'protection and improvement' in areas having

<sup>37</sup> Includes 1,004 VFCs set up prior to 2002

<sup>38</sup> Bangalore (Rural), Bangalore (Urban), Belgaum, Gadag, Mandya and Kolar

<sup>39</sup> Vegetative density means *per cent* area covered by the canopy of trees. Also referred to as crown density.

vegetation density of 0.25 or more. The WPs are to be implemented by formulation of APOs which, *inter alia*, contain details of areas to be covered under afforestation and financial requirement thereof. The WPs are to be reviewed after every five years.

The WPs were approved by the Government for all the 37 divisions between 2001 and 2004. The WPs, however, did not project financial requirement for the identified activities which the PCCF agreed during exit conference to incorporate in WPs in future. Eleven WPs due for review in 2006-07 were not reviewed as of September 2007.

**The target for afforestation was short of that planned in the Working Plans due to low allocation of funds**

The targets for afforestation (1.70 lakh ha) in the State as fixed in the APOs were short of that planned in the WPs (2.73 lakh ha) for the years 2002-07 as budget allocations were insufficient to meet the WP targets. Besides, actual releases were even 29 *per cent* lesser during the period.

Lower allocation/release of funds for afforestation adversely affected achievements planned in the WPs/APOs.

### **3.5.8 Procurement of seeds and raising of seedlings**

The Department, after procuring seeds, raises seedlings<sup>40</sup> in its departmentally managed nurseries for planting them in forest areas and for distribution to public and other agencies.

#### **3.5.8.1 Procurement of seeds**

The Department collects seeds of different species from trees identified in the forests which are supplemented by local purchases at the level of Range Offices for raising seedlings in its nurseries. As per 'package of practices', forest guards and watchers are required to collect seeds from the forests from the listed trees screened after identification by Range Forest Officers (RFOs). In eight test-checked divisions where information was made available, seeds costing Rs.23.06 lakh were purchased during 2002-06.

No record of species-wise quantity of seeds collected, dates of collection or purchase and quality checks exercised was maintained in any of the test-checked divisions. The Department had also not prescribed any mechanism to ensure that the seeds collected/purchased are subjected to quality checks.

#### **3.5.8.2 Raising and distribution of seedlings**

The position of seedlings raised by the Department during 2001-02 to 2005-06 and distributed for planting in subsequent years was as under:

<sup>40</sup> Acacia, kamara, hongee, bevu, sandal, tamarind, eucalyptus, arali, tapasi, bage, nelli, etc.

(Number in crore)

Year	Number of seedlings raised in departmental nurseries for planting by the		Year	Number of seedlings distributed for planting by	
	Department	Public		Department	Public
2001-02	3.80	3.07	2002-03	2.87	3.39
2002-03	1.58	3.59	2003-04	1.43	3.57
2003-04	1.86	1.69	2004-05	2.64	2.24
2004-05	2.11	1.53	2005-06	3.16	1.41
2005-06	4.79	3.57	2006-07	5.83	2.72
<b>Total</b>	<b>14.14</b>	<b>13.45</b>		<b>15.93</b>	<b>13.33</b>

**The number of seedlings reported as distributed for planting was more than those raised in the nurseries**

The number of seedlings shown distributed for departmental planting (11.63 crore) during 2004-05 to 2006-07 was more than that raised and available from departmental nurseries (8.76 crore). The Department had not investigated the reasons for the variations. Following other points were noticed:

- Of the 1.68 crore seedlings raised during 2005-06 under the scheme 'Raising of seedlings for public distribution', 64 lakh seedlings only were distributed to the public during 2006-07. Thirty seven lakh seedlings were used for departmental planting and the balance 67 lakh seedlings were retained for distribution during 2007-08. Raising of excess seedlings in contravention of departmental instructions (August 2005) resulted in avoidable expenditure of Rs.57 lakh<sup>41</sup> on their maintenance beyond one year period, besides adversely affecting their quality due to root coiling.
- The 'package of practices' requires that seedlings be raised by October of each year for planting them before July of the ensuing year. Delay in raising seedlings affects the survival and growth of planted seedlings. Of 4.96 crore seedlings raised during 2002-03 to 2006-07 in 11 test-checked divisions<sup>42</sup>, 3.73 crore seedlings were raised between November and March due to delay in release of funds. The adverse impact on the seedlings due to their un-seasonal raising had not been assessed.
- The Department took up construction of 17 mist chambers through Karnataka Forest Development Corporation Limited and Karnataka State Forest Industries Corporation Limited for raising clone seedlings which increase plant productivity. Advance payments of Rs.1.75 crore were released (March 2005) to the executing agency for completion of the work by April 2005. As of August 2007, only 15 mist chambers were completed. Delay in finalisation of tenders/location and change in design of mist chambers caused the delay in construction. Consequently, clone seedlings for increasing plant productivity were not raised.
- An expenditure of Rs.3.40 crore was incurred on purchase of seeds (Rs.23 lakh) in eight divisions and polythene bags (Rs.3.17 crore) in 13 test-checked divisions during 2002-07. However, no stock registers of seeds, fertilisers, polythene bags and other ingredients were maintained at divisional level in any of the test-checked divisions. These registers

<sup>41</sup> Cost of maintenance has been adopted at the rate of Rupee.0.85 per plant

<sup>42</sup> Bangalore Urban & Rural, Belgaum, Bellary, Bidar, Chitradurga, Gulbarga, Kolar, Mandya, Mangalore, and Tumkur

maintained at RFO level were incomplete as all transactions were not posted therein. In the absence of stock registers at divisional level and complete records at RFO level, adequate control over purchase and issue/consumption of inputs could not be ensured.

### 3.5.8.3 Avoidable expenditure on raising seedlings

Watering charges were paid in nurseries at higher rates which resulted in avoidable expenditure of Rs.41.54 lakh

Departmental Sanctioned Schedule of Rates provides different rates<sup>43</sup> for watering seedlings which are lower, where pipelines exist in a nursery than those where no pipelines exist. In eight of the 13 test-checked divisions, payments for watering seedlings in 85 nurseries where pipelines existed, were made to workers on cash payment basis at rates applicable for watering without pipelines on the ground that the pipelines were not functional. However, annual reports submitted by the divisional officers to the PCCF indicated that the pipelines were laid and functional in these nurseries. Making payments at higher rates resulted in avoidable expenditure of Rs.41.54 lakh<sup>44</sup> in eight divisions<sup>45</sup> during 2002-03 to 2006-07. In the exit conference the PCCF agreed to investigate the matter.

## 3.5.9 Afforestation

The Department carries afforestation in open and degraded forests and on non-forest lands which include Government waste lands, institutional lands, canals and roadside areas.

Forest cover in the State was almost stagnant

The actual increase in 'forest and tree' cover due to plantations in the forest areas was not assessed by the Department. As per Forest Survey of India reports, the extent of 'forest and tree cover' was 44.48 lakh ha in 2005 compared to 44.44 lakh ha in 2001 which represented 23.17 *per cent* of the State's geographical area. The forest cover alone also remained almost stagnant at 36.45 lakh ha in 2005, compared to 36.99 lakh ha in 2001.

### 3.5.9.1 Target and achievement

The targets and achievements under various schemes and externally aided projects<sup>46</sup> for planting seedlings and area covered under afforestation during 2002-03 to 2006-07 as per progress reports of the Department was as under:

<sup>43</sup> Varies from Rupee one to Rs.six per 1,000 seedlings

<sup>44</sup> Includes Rs.8.71 lakh in two divisions worked out at the minimum watering charges rate of Rs.1.20 per 1,000 seedling

<sup>45</sup> Bangalore Urban, Belgaum, Bellary, Bidar, Chitradurga, Gulbarga, Kolar and Tumkur

<sup>46</sup> Area Oriented Fuel wood and Fodder scheme (AOFF) a Centrally sponsored scheme, Development of de-graded forests (DDF) and Greening of Urban Area and Compensatory Afforestation scheme under State sector and externally aided FEED and KSFMB projects

(Number in crore)

Year	Number of seedlings planted				Area covered (lakh ha)	
	Targets		Achievements		Department	Public
	Department	Public	Department	Public		
2002-03	2.87	3.70	2.87	3.39	0.30	NA
2003-04	1.97	3.75	1.43	3.57	0.20	NA
2004-05	2.42	2.26	2.64	2.24	0.40	NA
2005-06	2.08	1.49	3.16	1.41	0.42	NA
2006-07	5.45	3.70	5.83	2.72	0.55	NA
<b>TOTAL</b>	<b>14.79</b>	<b>14.90</b>	<b>15.93</b>	<b>13.33</b>	<b>1.87</b>	<b>NA</b>

Records indicating location and survey number of areas covered by planting seedlings through public had not been maintained. Record of inspections made by departmental officers of the private farmlands and reports thereof were also not made available. The Department had thus, not monitored the effectiveness of distributing 13.33 crore seedlings (cost: Rs.14.66 crore)<sup>47</sup> to public for plantation during 2002-07.

### 3.5.9.2 Planting of seedlings

The WPs identified the areas for felling mature trees for subsequent afforestation. The planting of seedlings is required to be taken up within the areas earmarked in the WPs as per targets fixed in the APOs. Irregularities noticed in planting seedlings in deviation of WPs and prescribed norms were as under:

#### *Planting seedlings in deviation of WPs and norms*

The WPs prescribed carrying of afforestation in blank areas and areas having 0.25 vegetation density or less by block planting<sup>48</sup>. Areas with more than 0.25 vegetation of density required only protection and gap planting so as not to suppress natural regeneration associated with block planting. In deviation of these norms, block planting was undertaken in three divisions<sup>49</sup> during 2002-03 to 2006-07 (cost: Rs.1.40 crore) in areas earmarked for protection and gap planting in the WPs. This resulted in avoidable expenditure of Rs.39.43 lakh on block plantation. The PCCF in the exit conference agreed that block afforestation in areas identified for gap plantation would adversely affect the regeneration of existing root stocks.

**Avoidable expenditure of Rs.2.24 crore was incurred on planting excess seedlings**

The number of seedlings to be planted per ha is required to be regulated as per approved norms fixed on the basis of plant species and site conditions which include vegetation density. Planting more seedlings than that prescribed would hamper the growth of the seedlings due to root competition. Under FEEP project, against 65.45 lakh seedlings to be planted (including casualties) over an area of 0.24 lakh ha as per norms, 72.82 lakh seedlings were planted during 2001-02 to 2003-04 in deviation of the norms. This resulted in avoidable expenditure of Rs.2.24 crore on planting and maintenance of excess

<sup>47</sup> Assessed for 5"× 8" bag size seedlings @ Rs.1.10 per seedling

<sup>48</sup> Block planting means planting in compact blocks of forest area having vegetation density less than 0.25

<sup>49</sup> Bangalore Rural, Bellary and Chitradurga

seedlings. The Department had not assessed the adverse impact on account of excessive planting due to root competition.

**Planting of exotic species**

Plant species are required to be selected on the basis of soil characteristics, climatic conditions and other factors like maintaining bio-diversity and nativity of already grown species. WPs envisaged avoiding raising of exotic and fast growing species in areas other than fuel wood areas for maintaining sustainable local forest species. The growth of miscellaneous local species gets hindered when planted with the fast growing exotic species.

**Exotic plant species were planted in larger area in violation of the Working Plan**

During the period 2002-07 various species were raised and planted over an area of 1.84 lakh ha of which, 0.91 lakh ha was covered by exotic species like acacia and eucalyptus. The miscellaneous species like kamara, honge, neem, tamarind, nelli, tapasi, sissu, were planted over an area of 0.44 lakh ha and remaining area of 0.49 lakh ha was planted with timber species like teak, softwood, bamboo, canes, and sandalwood. The exotic species were raised without drawing site specific plans for each area. The selection of fuel wood species for each specific local area was also not based on the actual requirement of fuel wood.

In Belgaum Division, 105 ha area was covered by 1.60 lakh acacia seedlings and 0.09 lakh native species (cost: Rs.14.76 lakh) during 2002-03 and 2006-07 without drawing up site specific plans and making choice of species on the basis of soil characteristics in spite of WPs requirements of keeping the exotic species to a bare minimum.

Comment [tns2]: AE 193

In Karwar Division, of the total planted area of 4,664 ha, exotic acacia plantations were raised over an area of 2,986 hectares (64 per cent) during 2001-02 to 2005-06.

Comment [tns3]: AE 43

The Department had not assessed the impact of planting exotic species in violation of WPs/norms, on the hydrological cycle of ground water and soil characteristics.

**Irregular replanting**

**Avoidable expenditure of Rs.13.17 lakh on replanting of seedlings**

The WPs required that for sustainable growth, replanting eucalyptus trees in felled areas could be undertaken after three-ten-yearly<sup>50</sup> cycles of harvesting. Felling of trees is to be carried out in identified areas as per approved WPs and APOs of each Division subject to the condition that afforestation is carried out in the felled areas in the subsequent year unless approved otherwise by the Central Government.

Replanting of eucalyptus plants over an area of 136 ha (expenditure: Rs.13.17 lakh) was done in Bangalore (Rural) Division during 2002-03 (20 ha) and 2005-06 (116 ha) after first rotation of 10 years, contrary to

<sup>50</sup> Three-ten yearly cycles of harvesting involve extraction of matured eucalyptus plantations at the end of each ten year period



prescribed norms which resulted in avoidable expenditure of Rs.13.17 lakh. The DCF, Bangalore (Rural) stated that replanting in these areas was done by oversight.

### 3.5.9.3 Rehabilitation of degraded forests

The rehabilitation of degraded forests is done by undertaking gap planting and cultural operations for natural regeneration in 'working areas' as identified in WPs. Forests are protected from degradation by demarcating the forest areas and taking preventive measures against fire, encroachments and illegal mining and grazing.

**Rehabilitation of degraded forest areas suffered due to paucity of funds**

Of the total territorial forest area<sup>51</sup> of 30.04 lakh ha in the State, the degraded forest area assessed (2001-02) by the Department was 8.63 lakh ha. The assessment was made on the basis of 'vegetation density' without assessing the level of degradation on the basis of parameters like depletion in soil conditions, moisture regime, nutrient availability, biomass production and capacity to regenerate. Besides, the Department had not assessed the extent of degradation which occurred after 2001-02. In 11 test-checked divisions, against 3.10 lakh ha identified in the WPs as degraded forest areas, only 0.24 lakh ha was rehabilitated by undertaking planting and cultural operations as planned in APOs. DCFs in reply (April-June 2007) stated that more areas were not taken up due to paucity of funds.

### 3.5.9.4 Compensatory afforestation

Forest (Conservation) Act, 1980 (Act) imposes restrictions for de-reservation of reserved forests and use of forest land for non-forest purposes for which approval is required to be obtained from the Central Government which is given subject to fulfilment of prescribed conditions in each case. The main condition governing such diversion is carrying out 'Compensatory Afforestation' (CA) on equivalent identified non-forest land and twice the area over degraded forests, if non-forest land is not available or is less available. Departmental instructions provide that CA should be taken up soon after land is diverted for non-forest purposes by recovering the cost at the prescribed rate in advance from the user agencies. In addition 'Net Present Value' (NPV)<sup>52</sup> of the existing forests is also recoverable from 31 October 2002.

CA charges were to be kept in a separate bank account under the 'Compensatory Afforestation Fund Management and Planning Authority' (CAMPFA) fund created (April 2004) at the Central level. CAMPFA fund mainly comprises charges towards CA, 'Catchment Area Treatment Plan' (CATP)<sup>53</sup> and NPV of the forest land diverted. The fund is to be administered at the Central level by a Governing body headed by the Minister for Environment and Forests and at the State level by State Level Steering Committee (SLSC) headed by Chief Secretary and State Management Committee (SMC) headed by PCCF. However, pending creation of the post of Chief Executive Officer at the Central level, an *ad hoc* body for

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<sup>51</sup> Excluding wildlife areas

<sup>52</sup> NPV is determined based on the quality and density of forests

<sup>53</sup> CATP: CATP works are carried as part of afforestation works

administering the fund was created (May 2006) on the directions from Supreme Court. In the State, while SLSC and SMC stood constituted (June 2004), the APO for carrying CA sent to Government of India (June 2006) was awaiting approval, reasons for which were not on record. CA charges received from user agencies, up to December 2004, were credited to 'Karnataka Forest Development Fund' (KFDF) and kept as Government deposit.

The accumulated balance of CA retained as Government deposits was Rs.361.22 crore as of December 2006. Of this, Rs.359.73 crore only was transferred (January/February 2007) to CAMPA fund of the Central pool. The balance, with further accumulation during January 2007 to March 2007 under the Government deposit, rose to Rs.156.14 crore. Reasons for not transferring the entire amount to the Central pool were not on record. Delayed/non-transfer of entire accumulated amount resulted in loss of interest of Rs.13.52 crore<sup>54</sup> for the period from May 2006 to August 2007 to the fund.

An area of 22,083 ha<sup>55</sup> forest land was diverted in the State for non-forest purposes as of September 2006. Against this, non-forest/ degraded forest land earmarked for CA was 16,632 ha of which 14,555 ha were afforested leaving 2,077 ha uncovered. The remaining area was not covered due to short allocation of funds for CA.

#### *Short recovery of CA charges*

CA charges of Rs.84.99 lakh were short recovered

CA charges of Rs.84.99 lakh in six cases of five<sup>56</sup> divisions were recovered short as per assessment details given in **Appendix-3.4**. In another case, CA charges of Rs.3.06 crore for diversion (December 2002) of 565 ha forest land (value: Rs.27.88 crore) was borne by the State Government and not recovered from the user agency viz Karnataka Industrial Investment and Development Corporation Limited for establishing Bangalore International Airport which in turn sub-leased the land to a joint venture company, Bangalore International Airport Limited. Charges on account of environmental loss were also not assessed for recovery by the Government as per the condition granting approval to diversion.

#### *Under-assessment of NPV*

NPV of Rs.3.26 crore was assessed short due to adoption of lesser value of forest density in 11 cases

NPV as part of CAMPA charges is to be assessed and recovered at the specified rates of that range, from Rs.5.80 lakh to Rs.9.20 lakh per ha depending upon the type of forest land and density of the forest. The NPV was, however, calculated in 11 cases<sup>57</sup> taking the density value lower than that mentioned in the proposals sent to Government of India for obtaining approval for diversion of forest land. Adoption of lesser value of forest density resulted in under-assessment of NPV by Rs.3.26 crore of which, Rs.2.89 crore

<sup>54</sup> Calculated at the rate of 4.5 per cent

<sup>55</sup> Excluding encroached forest land of 14,849 ha

<sup>56</sup> Bangalore (Rural), Belgaum, Bidar, Gadag and Mangalore Divisions

<sup>57</sup> In Belgaum, Bellary, Chitradurga, Davangere and Tumkur Divisions

pertained to 10 private agencies and the balance Rs.37 lakh pertained to a Government department. Reasons for adoption of lesser density by the respective DCFs were not on record. PCCF in the exit conference stated that the matter will be examined.

#### ***Diversion of CA charges***

DCF, Belgaum, under directions from Government of India, executed (1999 to 2007) CATP works in 440 ha of forest land for overcoming environmental impact due to setting up of a hydro-electric project in Maharashtra. Funds amounting Rs.1.39 crore were received (2000 to 2007) for the purpose from Government of Maharashtra. The CATP works<sup>58</sup> (estimated cost: Rs.78.76 lakh) were executed (expenditure: Rs.1.39 crore)<sup>59</sup> by splitting the estimates so as to keep them within the delegated financial powers of the DCF without including them in the APOs of the Division. The area covered included an area of 95 ha (expenditure: Rs.29.45 lakh) falling under the catchment area of Malaprabha river which was outside the project's catchment area. Undertaking the works outside the project area resulted in diversion of CA funds of Rs.29.45 lakh, reasons for which were not on record.

#### ***3.5.9.5 Maintenance of plantations***

Plantations raised under FEED project provided for their maintenance ranging from three to five years from the year of planting. As per 'package of practices', each Range Office is required to maintain an overall inventory of old and new plantations indicating village, survey number, year of plantation, species planted and their survival status.

**The status of plantations was not ascertainable in the absence of record of inventories and updated plantation journals**

The inventory of plantations was not maintained in seven<sup>60</sup> of 13 test-checked divisions. The plantation journals maintained in the remaining divisions, did not indicate the survival rate of plantations beyond the planting year and there were no reports of periodical inspections except in Karwar Division. Test-check of sample of 533 'plantations' raised during 2002-06 (expenditure: Rs.13.83 crore) indicated that the soil characteristics were not recorded in respect of 153 'plantations' (area: 2,416 ha) while details of previously existing species were not recorded in respect of 136 'plantations' (area: 2,002 ha).

Of 84 lakh seedlings planted (area: 0.20 lakh ha) under the FEED project during 2001-02 to 2003-04 (expenditure: Rs.18.53 crore), 80 lakh seedlings (0.10 lakh ha) planted were not maintained in subsequent one to three years as no funds were sought while preparing budget estimates or were not made available after the expiry of project period (2004-05). In Chitradurga Division, plantations (77,505 seedlings) raised over an area of 65 ha in 2002-03 (expenditure: Rs.5.77 lakh) under Centrally sponsored scheme of Association of Scheduled Tribe & Rural Poor in Regeneration of Degraded

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<sup>58</sup> Includes afforestation (305 ha), contour trenches (7,000 cum), check dams (10 numbers), gully plugging (300 numbers) and raising grass plots (100 ha).

<sup>59</sup> Including maintenance expenditure

<sup>60</sup> Bangalore Rural and Urban, Belgaum, Bidar, Gadag, Gulbarga and Kolar

Forests on usufructs basis were maintained only for two years instead of three years due to discontinuance of the scheme after 2004-05. The adverse impact on the survival and growth of plants could not be assessed due to non-maintenance of relevant records.

In the absence of record of inventories and survival rate, the Department did not maintain the record of plantation assets created and monitor their growth-status. In the absence of record of soil characteristics and details of previously existing species, the Department had no mechanism to monitor and verify that seedlings were raised and planted according to site specific conditions. The DCFs in reply while admitting the shortcomings, issued instructions (June/July 2007) directing Assistant Conservator of Forests and RFOs to update the plantation journals.

#### **3.5.10 Monitoring and evaluation**

Monitoring of afforestation in the State was confined to obtaining monthly reports of physical and financial achievements and holding monthly meetings at different levels which were ineffective in the absence of addressing issues like survival rate of plantations, ensuring correctness of the figures of achievement reported and obtaining reports of inspections made for taking remedial action. The CF as a nodal officer did not monitor adherence to the conditions of approval for diversion of forest land and survival rate of CA plantations. Review of fulfillment of the conditions of approvals for diversions on account of mining was also not done.

The departmental evaluation report (July 2005) of plantations raised during 2002-04 while indicating a survival rate ranging from 4 to 100 *per cent* pointed out that the survival rate was low for indigenous species due to poor soil and site conditions, planting of non-suitable species and damages due to fire, weeds, pathogen attack and drought condition. It also pointed out that CA was done without proper choice of species, identification of site and planting pattern.

The report (September 2005) of implementation and evaluation of plantations raised during 1997-98 to 2004-05 under FEEP project made through an external agency after their field survey had pointed out that the survival rate ranged from nil to 100 of which it was less than 50 in 23.3 *per cent* of the plantations. The low survival rate was attributed to various reasons that included drought conditions during 2001-04, root competition, biotic pressure, lack of protection and poor maintenance.

No follow up action had been taken on the findings of the evaluation reports, reasons for which were not on record.

### **3.5.11 Conclusion**

The Government had not formulated any forest policy for sustainable management of forests. The targets set in APOs for afforestation were quite lower than those planned in the WPs due to insufficient budget allocations. Afforestation was adversely affected due to absence of quality checks on seeds procured, raising and planting of seedlings in deviation from 'package of practices'/norms and planting exotic species without site specific plans. Inventory of plantations was not maintained in all the test-checked divisions. Plantation journals were maintained, did not monitor the survival rate beyond the planting year. Ineffective monitoring and non-utilisation of CA funds also affected the implementation of the scheme.

### **3.5.12 Recommendations**

- Budget allocations should be released in full in accordance with the requirement of afforestation activities which should be planned after adopting a State forest policy and committing funds for it.
- It should be ensured that seedlings are raised in all cases as per the 'package of practices' and planted according to site specific plans.
- The plantations raised should be maintained for the prescribed period and survival rate of plantations beyond the planting year recorded in the plantations journals.
- Correct assessment of various components of CA charges should be ensured by putting in place a system of cross check.
- The findings of the evaluation reports need to be deliberated and follow up action taken within a time frame.

The above points were reported to the Government (August 2007); their reply had not been received (October 2007).

## EDUCATION DEPARTMENT

### 3.6 Grant-in-Aid for Technical Education

#### 3.6.1 Introduction

Government framed (October 1966) Grant-in-Aid Code for Technical Education Department (Code) to encourage private enterprises in technical education. Grants to the Private Engineering Colleges and Polytechnics are governed by the provisions of this Code and were entitled to maintenance grants, building grants, equipment grants and grant towards loss of fee income. Of the total 313 technical institutions<sup>61</sup> in the State as on 31 March 2007, 10 Engineering Colleges and 34 Polytechnics were in receipt of maintenance grants from the Government.

The Principal Secretary to the Government, Department of Higher Education was the administrative head and the Director of Technical Education (DTE) assisted by an Additional Director, five Joint Directors and six Deputy Directors, was in-charge of releasing grants to the institutions. The DTE was also responsible for ensuring strict compliance by the grantee institutions to the codal provisions and the Government orders issued from time to time.

The release of maintenance grants and their utilisation by the institutions during the period 2002-07 was reviewed (February-May 2007) in Audit by test-checking the records of 10 Engineering Colleges, 34 Polytechnics, the Directorate and the Administrative Department. The important findings were as under:

#### 3.6.2 Release of excess grants

The amount of maintenance grants released to the Engineering Colleges and Polytechnics during the period 2002-07 was as shown below:

(Rupees in crore)

Year	Grants released to		Total grants released
	Engineering Colleges	Polytechnics	
2002-03	37.44	5.80	43.24
2003-04	18.99	6.04	25.03
2004-05	20.82	24.62	45.44
2005-06	20.96	20.75	41.71
2006-07	14.85	18.16	33.01
<b>Total</b>	<b>113.06</b>	<b>75.37</b>	<b>188.43</b>

<sup>61</sup> 120 Engineering Colleges, 184 Polytechnics, six Junior Technical Schools and three Fine Arts Colleges.

**Ad hoc grants released in advance to the colleges/polytechnics were far in excess of the grants actually admissible**

As per the provisions of the Code and orders of the Government from time to time, the grantee institutions were entitled to maintenance grants equal to 85 per cent of 'approved maintenance expenditure' actually incurred by them during the relevant academic year. The approved maintenance expenditure comprised salaries of teaching and non-teaching staff, their traveling allowances, maintenance and repairs of buildings (at a maximum three per cent of their capital cost), rent, insurance, interest on borrowings, etc. The Code also provides for payment of 'on account' grant (*ad hoc* grants) equal to the actual maintenance grant sanctioned for the previous year to the institution or the probable grant due for the current year based on the budget estimates. The *ad hoc* grants were subject to final adjustment in the following year. Records disclosed that the departmental audit (conducted by the Controller of State Accounts) while inspecting the accounts of 43 grantee institutions had observed (2003-07) instances of release of excess *ad hoc* grants by the DTE without reference to the norms prescribed in the Code. However, no action was taken by the DTE to devise a suitable mechanism to recover/adjust these excess payments. The total excess payment due for recovery/adjustment as at the end of March 2007 was Rs.18.84 crore. Besides, the departmental audit while computing the admissible grants in respect of 16 institutions for the years 2004-06, reckoned maintenance expenditure at cent *per cent* instead of the admissible 85 per cent resulting in an additional excess payment of Rs.20.01 lakh (**Appendix-3.5**).

**Non-remittance of 50 per cent of fee collected by the institutions was not reckoned while releasing *ad hoc* grants to them**

The grantee institutions also did not remit 50 per cent of the fee collected by them during the period 2002-04 to the Government account as required under Government orders. The DTE did not observe this omission either at the time of releasing *ad hoc* grants or after the closure of the financial year. The departmental audit too, failed to reckon the non-remittance of the fees while computing the admissible grants. Consequently, Rs.13.26 crore was paid in excess to the institutions on this account. The total excess grants so released during the period 2002-06 was Rs.32.11 crore (**Appendix-3.6**). Action taken to fix the responsibility for releasing excess grants and to recover the same from the grantee institutions together with interest was not forthcoming. The Government in their reply (November 2007) stated that the excess grants paid to the institutions would be recovered.

### **3.6.3 Application of Grants**

Test-check of records of the colleges and polytechnics showed the following irregularities:

#### **3.6.3.1 Incorrect fixation of pay under revised All India Centre of Technical Education (AICTE) scales of pay**

**Incorrect fixation of pay resulted in excess payment of grant of Rs.64 lakh**

Government extended (June 2000) the benefit of revised AICTE Scales of Pay with retrospective effect from 1 January 1996. These scales of pay were extended to the teaching staff of the colleges and polytechnics with effect from 1 April 1999 and 1 July 2000 respectively. According to the Government Orders, the pay of the Selection Grade Lecturers having served for five years

as on 1 January 1996 and drawing a pay of Rs.4,325 in the existing scale of pay (Rs.3,700-7,500) was to be fixed at Rs.14,940 in the Revised Scale of Pay of Rs.12,000-18,300. This benefit was, however, not applicable to those who were drawing a pay of Rs.4,325 but who had not completed five years of service as on 1 January 1996 as per these orders.

Records disclosed that the DTE approved the fixation of pay in the revised scale at Rs.14, 940 to some of the lecturers who were drawing pay at a stage less than Rs.4,325 in the existing scale. This incorrect fixation of pay in respect of 51 lecturers in nine colleges resulted in excess payment of grant-in-aid of Rs.64 lakh on account of salary (excluding allowances) during the period January 1996 to March 2007 to these colleges. The pay fixation needs to be regulated as per the Government Orders and the excess grant-in-aid recovered/adjusted from the future grants payable to these colleges and polytechnics. Government agreed (November 2007) to examine the matter and take remedial action.

#### 3.6.3.2 Incorrect reckoning of eligibility date

Government admitted (15 October 1992) Dr.Ambedkar Institute of Technology to grant-in-aid scheme. Accordingly, the liability of the Government to release grants accrued from 15 October 1992 only. The department, however, released grants-in-aid in respect of the staff of this college with effect from 1 April 1992 instead of from the date of its admission to the scheme, viz., 15 October 1992. The excess payment on this account during the period April 1992 to March 2007 was Rs.14 lakh. Government agreed (November 2007) to examine the matter.

### 3.6.4 Non-accreditation of grantee institutions

27 polytechnics had not obtained NBA accreditation

AICTE made (October 2003) mandatory for all engineering colleges and polytechnics established before or during the academic year 1985-86 to obtain accreditation for the courses being taught in these institutions from National Board of Accreditation (NBA), New Delhi before 31 March 2004. Accordingly, Director issued (October 2003) instructions to all the engineering colleges and polytechnics to obtain NBA accreditation before 31 March 2004. It was, however, noticed that 27 polytechnics established before 1985-86 had not applied for accreditation for the courses being taught in these institutions. Nevertheless, grants amounting to Rs.44.07 crore were released to the polytechnics during 2004-07. Government stated (November 2007) that the institutions would be asked to obtain the accreditation by October 2008.

### 3.6.5 Conclusion

The DTE did not ensure that the *ad hoc* grants released to the grantee institutions was limited to only 85 *per cent* of the approved maintenance expenditure and that the grantee institutions remitted 50 *per cent* of the fees collected by them to the Government resulting in accumulation of excess grants with the institutions. No mechanism was also devised to watch their



expeditious recovery/adjustment. Non-adherence to the grant-in-aid Code and the Government Orders resulted in release of excess salary grants.

### **3.6.6 Recommendations**

- The amount paid in excess to the institutions should be recovered/adjusted immediately together with interest thereon.
- Action should also be taken to ensure remittance of 50 *per cent* of fees collected by the Institutions before release of fresh maintenance grants.
- The role and lapses of the Departmental Officers responsible for release of excess grants should be investigated and responsibility fixed expeditiously.
- Accreditation of 27 polytechnics from NBA should be ensured for releasing future grants.

Reply of the Government (November 2007) has been incorporated at appropriate places.

## REVENUE DEPARTMENT

### 3.7 Administration and Utilisation of Calamity Relief Fund

#### 3.7.1 Introduction

The Government of India (GOI), based on the recommendations of the Ninth Finance Commission approved (January 1991) the Calamity Relief Fund (CRF) Scheme to provide immediate relief to the victims of cyclone, drought, earthquake, fire, flood, hailstorm, *etc.* The size of the CRF for each year is decided by the GOI of which 75 per cent is contributed by them in the form of non-plan grants. The balance 25 per cent is met by the State Government. The operation of CRF was continued by successive Finance Commissions and the XII Finance Commission continued it up to 2009-10. A State Level Committee<sup>62</sup> (SLC) constituted by the State Government with Chief Secretary as the Ex-officio Chairperson was responsible for administration of the CRF. The guidelines issued by GOI provided for audit of CRF by the Comptroller and Auditor General of India.

The GOI also set up (2000-01) a National Calamity Contingency Fund (NCCF) to provide relief assistance to the States in excess of the balances available in their CRF in the event of the natural calamities of severe nature. The NCCF was fully funded by the GOI for which purpose a special surcharge on the Union taxes was levied by the Central Government. The NCCF too was meant for providing immediate relief to the victims of the calamity and the SLC was responsible to monitor its proper utilisation.

The implementation of the schemes during the period 2002-03 to 2006-07 was reviewed (February-May 2007) by test-checking the records of the Secretary (Disaster Management), Revenue Department, Deputy Commissioners (DCs) and 53 out of 504 Implementing Officers (IOs) in nine districts<sup>63</sup>. The important findings noticed were as under:

#### 3.7.2 Financial Management

##### 3.7.2.1 Receipts and Expenditure

The total receipts and expenditure under the CRF during the period 2002-07 were as follows:

**Table 1: Receipts and Expenditure**

Year	Opening balance	Receipts			Expenditure	Closing balance
		CRF	NCCF	Total		
(Rupees in crore)						

<sup>62</sup> The Committee consists of officials who are normally connected with relief work and experts in various fields in the State.

<sup>63</sup> Bangalore (Rural), Belgaum, Chitradurga, Davanagere, Gulbarga, Hassan, Kolar, Shimoga and Tumkur.

		Central share	State share				
2002-03	Nil	61.66	22.55	196.88	281.09	274.42	6.67
2003-04	6.67	64.74	21.58	316.47	409.46	363.63	45.83
2004-05	45.83	67.98	22.66	63.62	200.09	199.09	1.00
2005-06	1.00	86.00	28.67	358.85	474.52	600.95	(-) 126.43
2006-07	(-)126.43	113.98	30.10	384.97	529.05	401.62	1.00
<b>Total</b>		<b>394.36</b>	<b>125.56</b>	<b>1,320.79</b>	<b>1,894.21</b>	<b>1,839.71</b>	

Excess expenditure of Rs.126.43 crore during 2005-06 was due to withdrawal of Rs.158.15 crore (August 2005) by GOI out of their share and the same was met out of the State Consolidated Fund.

### 3.7.2.2 Outstanding utilisation certificates

Records of the test-checked districts disclosed that the DCs had not furnished Utilisation Certificates (UCs) aggregating Rs.322.86 crore relating to the period 2000-07 (**Appendix-3.7**). The DCs of Gulbarga and Kolar districts stated (April 2007) that UCs will be furnished on receipt of the same from the IOs.

### 3.7.2.3 Non-maintenance of cash book and non-reconciliation of cash balances by the IOs

Records of the 53 IOs in the test-checked districts disclosed that the cash book for CRF transactions had not been maintained by the 12 IOs<sup>64</sup> during the period 2002-07. In respect of nine<sup>65</sup> other IOs, the difference of Rs.3.24 crore between the CRF cash book and the bank pass book had not been reconciled as of February/March 2007. Out of these nine, three<sup>66</sup> IOs had cash balances exceeding the Bank balances by Rs.70.22 lakh. No action was taken to reconcile the difference. Non-maintenance of the scheme cash book coupled with non-reconciliation of differences was fraught with attendant risk of serious financial irregularities. The DCs/Revenue Department and the SLC failed to ensure proper maintenance of records of cash.

### 3.7.2.4 Investments from CRF

**The accretions to the CRF were not invested in Government securities as required**

The scheme guidelines provide that the CRF is constituted in the Public Account of the State Government and classified under the Head "8235-General and Other Reserve Funds-111 Calamity Relief Fund". All accretions to the CRF together with the income earned thereon were to be invested in specified Government securities and accounted separately (Head 8235-General & Other Reserve Funds-112 CRF Investment Account) in the Public

<sup>64</sup> Tahasildars of Bangarpet, Channarayapatna, Chitradurga, Davanagere, Hassan, Hiriya, Hosakote, Kolar, Madhugiri, Ramnagara and Executive Engineers of Panchayat Raj Engineering Divisions of Chikkodi and Kolar.

<sup>65</sup> DCs of Gulbarga (Rs.28.85 lakh) & Hassan (Rs.114.10 lakh), Executive Engineers of Panchayat Raj Engineering Divisions of Tumkur (Rs.19.61 lakh), Channarayapatna (Rs.40.64 lakh) & Sagar (Rs.113.67 lakh), Tahasildars of Belgaum (Rs.5.42 lakh), Bhadravathi (Rs.0.64 lakh), Shikaripur (Rs.0.73 lakh) & Tumkur (Rs.0.79 lakh).

<sup>66</sup> DC-Gulbarga (Rs.28.85 lakh), Executive Engineer of Panchayat Raj Engineering Division-Channarayapatna (Rs.40.64 lakh) and Tahasildar-Shikaripur (Rs.0.73 lakh).

Account so that the transactions of the CRF are kept outside the General Revenues of the State Government.

The CRF was constituted in the State but accretions in the fund were not invested in the Government securities as required under the scheme guidelines. Consequently, the interest on the unspent balances could not be earned.

### 3.7.2.5 Delay in restoration of frozen cash balances to CRF

Government in Finance Department had frozen (August 2003) the CRF balances remaining with the DCs in their Personal Deposit (PD) Accounts on the ground that there were huge differences in the cash balances of the PD account and the District Treasury. These balances were transferred to a separate account viz., Miscellaneous Deposit Account. The frozen accounts were later revived (August 2003) subject to reconciliation of the differences by the DCs. These differences were reconciled by the DCs during December 2003 and thereafter the reconciled balances were ordered (January 2004) to be restored to CRF account of the respective DC.

**Unspent balance of Rs.14.24 crore under CRF in four districts had not been restored to CRF**

In the test-checked districts of Bangalore (Rural), Hassan, Shimoga and Tumkur, Rs.14.24 crore was to be restored to CRF which had not been done by the District Treasury Officers even after a lapse of three and a half years (March 2007). The SLC too, did not ensure immediate restoration of these specific grants to CRF. The retention of Rs.14.24 crore outside the CRF was irregular.

### 3.7.2.6 Short credit of interest to CRF

Government while ordering restoration of reconciled balances to the CRF (January 2004), also directed that interest realised on CRF funds kept in the banks shall be credited to the general revenues of the State Government (Head 0049-Interest Receipts). Accordingly, the DC, Tumkur, credited Rs.38.76 lakh to the Government account. The orders of Government were contrary to the scheme guidelines (Paragraph 7) and the action of the DC, Tumkur resulted in short credit of Rs.38.76 lakh to the CRF. Neither the Revenue Department in Government nor the SLC took any action to get the interest credited to the CRF.

### 3.7.2.7 Excess release of CRF funds to DCs and the IOs

The funds were released to the DCs for calamity relief works on receipt of initial assessment reports and position of funds available with the DCs/IOs. Review of the records in the test-checked districts revealed that huge balances were lying in the PD account of CRF/NCCF of the DCs at the end of each year during the period 2002-07 as detailed below:

**Funds were released to DCs without reference to their actual requirement resulting in accumulation of Rs.80.07 crore at the end of March 2007**

**Table 2: Balances under CRF-PD Account**

(Rupees in crore)

Year	DC, Bangalore	DC, Tumkur	DC, Davanagere	DC, Gulbarga	DC, Belgaum	DC, Shimoga	DC, Hassan	DC, Chitradurga	Total
2002-03	6.52	-	-	4.57	-	3.41	2.03	0.78	17.31

2003-04	4.83	3.59	2.88	0.97	2.97	1.51	2.31	3.65	22.71
2004-05	1.98	1.33	1.40	5.36	0.74	0.77	1.30	3.71	16.59
2005-06	3.34	3.75	1.76	0.98	4.21	2.94	0.46	1.70	19.14
2006-07	6.57	17.23	8.12	12.61	15.74	5.52	3.16	11.12	80.07

Funds were released by the Government to DCs without reference to their actual requirement resulting in accumulation of unspent balance at the end of each year.

The DCs of test-checked districts<sup>67</sup> also released funds in excess to the IOs and no action was taken by the DCs to get back the unspent balances and remit them to the State CRF along with unspent amounts in their own CRF-PD account. The unspent balances with the IOs at the end of March 2007 was Rs.8.71 crore including an interest of Rs.99.83 lakh earned thereon (**Appendix-3.8**). Consequently, the position regarding the actual unspent balance in the State CRF was also understated.

### **3.7.3 Utilisation of CRF and the NCCF**

The GOI revised (April 2003) the list of items and norms of expenditure to be followed by the States for incurring expenditure from CRF and NCCF and requested the State Government to ensure strict compliance with these items and norms while spending the funds. Accordingly, rescue, relief and rehabilitation measures such as providing drinking water supply and medical relief, clothing and utensils, financial assistance to rehabilitate the victims, etc., were to be taken up for immediate relief. Besides, repairs to/restoration of the damaged infrastructure relating to communication, power, public health, primary education and community owned assets could also be taken up out of CRF funds if only such repairs/restoration were of immediate nature and approved by the National Centre for Calamity Management (NCCM) or the SLC or the Central Team visiting the place of calamity.

#### **3.7.3.1 Diversion of CRF/NCCF**

Contrary to the items and norms prescribed by GOI and circulated by the State Government (March 2002/July 2003), the CRF funds aggregating Rs.41.97 crore (**Appendix-3.9**) were diverted by the Revenue Department and the DCs of test-checked districts as detailed below:

<sup>67</sup> Bangalore (Rural), Belgaum, Chitradurga, Davanagere, Gulbarga, Hassan, Kolar, Shimoga and Tumkur.

Rs.41.97 crore was diverted for land acquisition, purchase of vehicles, computers, television sets and construction and repair of roads and buildings not permitted under the guidelines

- Rupees 23 crore was diverted (August 2006) for acquisition of lands and shifting of flood affected villages in six districts<sup>68</sup> although according to the scheme guidelines such capital expenditure was to be met out of Plan funds.
- Rupees 17.36 crore was diverted for construction/repair of school, office and residential buildings, construction of stadium gallery, formation/improvement/repairs to roads including asphaltting in cities, bus depots *etc.*, although these works were not of the nature of providing immediate relief to calamity victims nor they had the approval of NCCM/SLC.
- Rupees 1.61 crore was diverted for purchase of vehicles, computers and TV sets and to meet fuel and stationery expenses besides payment of consultancy charges towards third party inspection of the works executed under the CRF which was in violation of the prescribed norms.

Although a mention was made at paragraph 3.5 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 1998 on irregular diversion of CRF funds, diversion of these funds persisted. Obviously, effective rectificatory action had not been taken by the Government/DCs.

#### 3.7.4 Monitoring

The implementation of the scheme was not monitored effectively

The scheme guidelines provide that the SLC is responsible not only for financing relief expenditure from the CRF but also to ensure that the money drawn from the CRF was utilised in accordance with the objectives of the scheme. Non-investment of accretions in the Fund, accumulation of unspent balances with the IOs/DCs, diversion of scheme funds, non-obtaining of UCs and deficient maintenance of cash records indicated poor monitoring.

#### 3.7.5 Conclusion

The administration of CRF was not effective as the funds were not invested in Government securities. Further, funds were released to the DCs and IOs in excess of their requirements leading to accumulation of unspent balances with them. Non-maintenance of cash books, non-reconciliation of expenditure with the bank/treasuries and non-submission of UCs for over Rs.300 crore together with large scale diversion of funds indicated poor monitoring of the scheme by the SLC.

#### 3.7.6 Recommendations

- Immediate measures should be taken to invest the CRF accretions in specified Government securities as per the scheme guidelines.
- The frozen balance of CRF-PD Account of DCs should be transferred immediately to the State CRF so as to invest them gainfully.

<sup>68</sup> Bagalkot (Rs.6.03 crore), Belgaum (Rs.15.70 crore), Bijapur (Rs.0.15 crore), Gulbarga (Rs.0.56 crore), Koppal (Rs.0.04 crore) and Raichur (Rs.0.52 crore).

- Unspent balances with the DCs and the IOs should be transferred to the State CRF immediately and necessary instructions issued to them to refund the unspent balances promptly at the end of each year.
- Utilisation of CRF for the approved objects need to be closely monitored. The awaited UCs should be obtained from the IOs and the IOs made responsible for timely submission of UCs.

The above points were reported to the Government in July 2007, reply had not been received (October 2007).

## **SOCIAL WELFARE DEPARTMENT**

### **3.8 Working of the Karnataka Residential Educational Institutions Society**

#### **3.8.1 Introduction**

The Karnataka Residential Educational Institutions Society (Society) was established (October 1999) by the Government for the management of the residential schools of the Department of Social Welfare, Backward Classes and Minorities. The objectives of the Society were to prepare, introduce and supervise the curricular and other educational programmes of the students studying in the residential schools, organise and conduct study courses, conferences, lectures, *etc.*, for the benefit of the students and to construct and maintain buildings and receive and hold assets necessary for the smooth administration of the schools and the Society. The Society was authorised by the Government to draw loans from financial institutions on the guarantee given by the Government for construction of residential schools and also to repay them out of the budget provisions to be made by the Government under the respective Departments. The Society was audited by the Comptroller and Auditor General of India under Section 14(1) of the Duties, Powers and Conditions of Service Act, 1971.

The Governing Council of the Society had 15 members with the Principal Secretary to Government, Social Welfare Department as the *ex-officio* Chairman of the Council. The other members included Secretaries and Directors of the Education, Social Welfare and Backward Classes Departments and five nominated members of whom one member was a person nominated by the National Council of Education, Research and Training (NCERT) and the other three being eminent educationists nominated by the State Government. The Executive Director of the Society was the Member Secretary to look after the administration of the Society and the schools affiliated to it.

The working of the Society during the period 2002-07 was reviewed (January to April 2006 and July 2007) by test-check of the records of the

Executive Director, three District Officers and 25 residential schools. The results of test-check are brought out in the succeeding paragraphs.

### 3.8.2 Financial Management

The Society received grants-in-aid from Government of India (GOI) and the State Government and raised loans from Housing and Urban Development Corporation (HUDCO). The total receipts and expenditure of the Society during the period 2002-07 were as follows:

(Rupees in crore)

Year	Opening Balance	Loan from HUDCO	GOI grants	GOK grants*	Total	Expenditure	Closing Balance
2002-03	16.63	36.30	5.71	22.05	80.69	60.77	19.92
2003-04	19.92	20.00	3.40	24.87	68.19	51.78	16.41
2004-05	16.41	5.00	6.40	30.55	58.36	41.08	17.28
2005-06	17.28	-	1.00	38.96	57.24	23.33	33.91
2006-07	33.91	-	17.63	92.99	144.53	41.75	102.78
<b>Total</b>		<b>61.30</b>	<b>34.14</b>	<b>209.42</b>		<b>218.71</b>	

\* Includes internal resource generation of Rs.one crore, Rs.78 lakh and Rs.3.42 crore for the years 2004-05, 2005-06 and 2006-07 respectively.

The persistent savings were due to delay in commencement and completion of works during 2002-04, receipt of construction grants at the fag end of the financial year 2005-07 and non-disbursement of maintenance grant to the schools in full during 2004-07.

#### 3.8.2.1 Drawal of excess loan

The Society raised a loan of Rs.76.30 crore from HUDCO for construction of 41 residential schools during the period 2000-2003. An amount of Rs.47.40 crore was outstanding on this account at the end of March 2007.

The loan requirement was assessed at the rate of Rs.two crore per school (Rs.82 crore) reduced by the amount (Rs.5.70 crore) provided in the budget for the year 2000-01. The Society constructed 44 residential school buildings (2000-06) as against the projected 41 buildings at a total cost of Rs.79.68 crore. The Society also received grants of Rs.40.76 crore<sup>69</sup> from Central and State Governments exclusively for construction of these residential school buildings and Rs.51.30 crore out of the loan raised from HUDCO during the period 2000-03. The loan requirement was not assessed by the Society keeping in view the grants being received regularly from Government. This resulted not only in overdrawal of loan by Rs.35.54 crore and consequential average savings of Rs.17.56 crore at the end of each year during the period 2000-03. The reasons as to why the Government released Rs.40.76 crore for construction of these school buildings when they had already stood guarantee to the HUDCO loan and were releasing funds separately every year to the Society for repayment of this loan along with interest were not forthcoming. The continued release of funds by Government

The Society drew excess loan of Rs.35.54 crore without considering the grants regularly released by the Government

<sup>69</sup> Rs.19.77 crore during 2000-01, Rs.9.72 crore during 2001-02 and Rs.11.27 crore during 2002-03



resulted in accumulated cash balance of Rs.102.78 crore at the end of March 2007 and the Society instead of exploring the possibilities of discharging the outstanding loan of Rs.47.40 crore deposited the surplus funds in the fixed deposits of various banks thereby causing recurring liability of interest payments to the Government. The drawal of excess loan by the Society and their failure to clear the outstanding loan out of the surplus funds released by the Government resulted in an avoidable interest liability of Rs.10.93 crore<sup>70</sup>. Government stated (October 2007) that the surplus funds could not be diverted for clearance of loan as they were earmarked for specific purposes and that Government was providing separate budget for repayment of HUDCO loan every year. The reply is not tenable as the Government released excess funds in addition to the HUDCO loans received which led to surplus funds with the Society.

### 3.8.2.2 Non-payment of guarantee commission to Government

The Society was required to pay guarantee commission at the rate of one per cent of the outstanding loan amount at the end of each year. Accordingly, a guarantee commission of Rs.76.73 lakh due as at the end of March 2004 was paid (June 2004) to Government. But no further payment was made by the Society although Rs.1.62 crore was due on this account for the period from April 2004 to March 2007 and funds were surplus with the Society. Government too failed to recover this while releasing funds to the Society.

### 3.8.3 Construction activities

Since its inception, the Society took up 140 works of construction of residential school buildings and hostels and completed 67 works as detailed below:

Year	Number of building works taken up	Estimate cost (Rs.in crore)	Number of works completed	Expenditure incurred (Rs.in crore)	Works in progress
2000-01	44	86.56	43	79.68	01
2002-03	19	32.13	19	28.86	-
2005-06	11	19.89	05	16.05	06
2006-07	66	198.89	-	1.22	66
<b>Total</b>	<b>140</b>	<b>337.47</b>	<b>67</b>	<b>125.81</b>	<b>73</b>

The Society did not have a technical wing to design and execute the building works. Even the ministerial staff and two technical assistants working in the Society had been hired from a manpower agency (labour contract) from time to time and all works relating to preparation of plans and estimates, draft tender papers, supervision of execution of works, scrutiny of running account bills, revision of estimates, evaluation of quality of works, scrutiny of demands of contractors and rendering technical opinion thereon were all entrusted to technical consultants appointed on contract basis in respect of each work. Consequently, the Society not only incurred huge expenditure on

<sup>70</sup> Calculated on Rs.35.54 crore at interest rates prevailing from time to time during the period 2000-07 and excluding Rs.28.25 lakh being interest earned on the loan amount kept in fixed deposit up to December 2001

deployment of manpower and technical consultancy but also could not effectively manage the construction activities resulting in cost and time overrun as detailed below:

### 3.8.3.1 Avoidable extra expenditure to Project Management Consultants

The Society paid consultancy charge of Rs.45 lakh in excess due to direct entrustment of the work to the consultants

The Society paid (April 2002-September 2006) Rs.1.73 crore as Project Management Consultancy charges to a consultant company for construction of 44 residential school buildings at an estimated cost of Rs.81.40 crore (revised to Rs.86.56 crore). Records revealed that the Society appointed the consultants at two *per cent* of the project cost as consultancy charges without inviting tenders and without ascertaining the prevailing competitive rates and payments were made at two *per cent* of the enhanced project cost (Rs.86.56 crore). When the Society invited (November 2001) tenders for another project, the first lowest tender received was at 1.48 *per cent* of the project cost. Thus, the failure of the Society to invite tenders in the first instance resulted in an avoidable extra expenditure of Rs.45 lakh<sup>71</sup>. The Society replied that the consultant appointed was a reputed company and that the provisions of Karnataka Transparency in Public Procurement Act were not in force at the time of entrustment. The reply is not tenable as the Society was bound to follow the provisions of the Karnataka Financial Code and the Public Works Accounts and Departmental Codes which were in force at the time of entrustment of the work.

### 3.8.3.2 Huge unspent funds due to non-commencement of works

Out of 66 works taken up by the Society for 2006-07, only 32 works could be actually commenced due to lack of infrastructure and technical expertise leading to cost and time overrun

Sixty six works estimated to cost Rs.201.82 crore were taken up by the Society for execution during 2006-07. Out of these works, only 32 works estimated to cost Rs.93.04 crore could be commenced before the expiry of the financial year 2006-07 due to time required for preparation of plans, estimates, draft tender papers and finalisation of tenders through the consultants. Out of the total consultancy charges of Rs.6.05 crore payable to the consultants in respect of 66 works, the Society had already paid Rs.1.22 crore (March 2007). Due to delay in taking up the remaining works, the cost and time overrun were inevitable necessitating revision of estimates and consequential payment of enhanced consultancy charges too.

### 3.8.3.3 Non-completion of building works transferred to the Society

13 buildings for MDRS could not be completed by the Society even after 10 years of their commencement and despite release of funds by the Government

Construction of 13 Morarji Desai Residential School (MDRS) buildings at different locations in the State which was taken up (1996-97 to 2002-03) by the Education Department at an estimated cost of Rs.12.90 crore was in progress through the Karnataka Land Army Corporation (KLAC) when these were transferred (2003-04) to the Society for completion and maintenance. By that time, Rs.8.81 crore had been paid by the Education Department to KLAC. The Society did not take any expeditious action to get the buildings completed by securing early release of funds although the estimated cost of the works was revised to Rs.14.66 crore. The Government released (March 2006)

<sup>71</sup> Difference of consultancy charges calculated at two *per cent* and 1.48 *per cent* of the project cost.

Rs.14.95 crore for completion of these buildings out of which the Society released Rs.1.72 crore (April 2006) and Rs.89 lakh (April 2007) to the KLAC. However, the works were yet to be completed by the KLAC and the cost of balance works as at the end of April 2007 was Rs.3.23 crore.

Records revealed that the Society while submitting proposals for securing Rs.14.95 crore from Government had assessed (August 2005) the cost of balance works at Rs.5.79 crore and incorrectly included 10 new works estimated to cost Rs.9.72 crore. Government, without scrutinising the proposals and restricting the grants to the actual cost of completion of the balance works, released Rs.14.95 crore. The Society diverted Rs.1.23 crore out of these funds for maintenance of residential schools and released only Rs.2.61 crore to KLAC without taking prompt action to get the works completed early despite availability of funds. The Society, again revised (February 2007) their proposals to construct five new buildings (instead of 10 new works proposed in August 2005 for securing Rs.14.95 crore) and the total funds requisitioned were Rs.18.59 crore which included Rs.5.52 crore for completion of the 13 incomplete MDRS. The proposals of the Society for construction of new buildings were therefore, not prioritised based on their actual and immediate requirement. The cost of balance works were also overstated by Rs.1.67 crore as the KLAC had demanded (February 2007) only Rs.4.12 crore to complete the works at the revised cost.

Government contended (October 2007) that the Society was not responsible for the delay as the buildings were transferred to them only during 2006. The reply is not tenable as the Society took over the maintenance of these schools in 2003-04 itself, sent proposals for additional funds for completion during August 2005 and the buildings were not completed even at the end of September 2007 although funds had been released by Government during March 2006. The Society thus, did not get the works completed even after a lapse of four years of their taking over and despite availability of funds to the extent of Rs.11.08 crore. The expenditure of Rs.11.42 crore incurred on these works remained unfruitful.

#### **3.8.4 Academic Activities**

Records revealed that the Society did not have the nominated members in its Governing Council since its inception to ensure better maintenance of the residential schools and to improve their academic excellence. The Governing Council met most of the time during the period 2000-07 to decide upon matters in relation to their construction activities only. The details regarding the curricular and other educational programmes prepared, introduced and supervised by the Society in pursuance of the objectives of the Society were neither forthcoming from the records nor the Executive Director furnished any replies to specific audit observations made in this regard.

#### **3.8.5 Conclusion**

The objective of the State Government to provide better administration of residential schools could not be realised as the Society was mainly engaged in

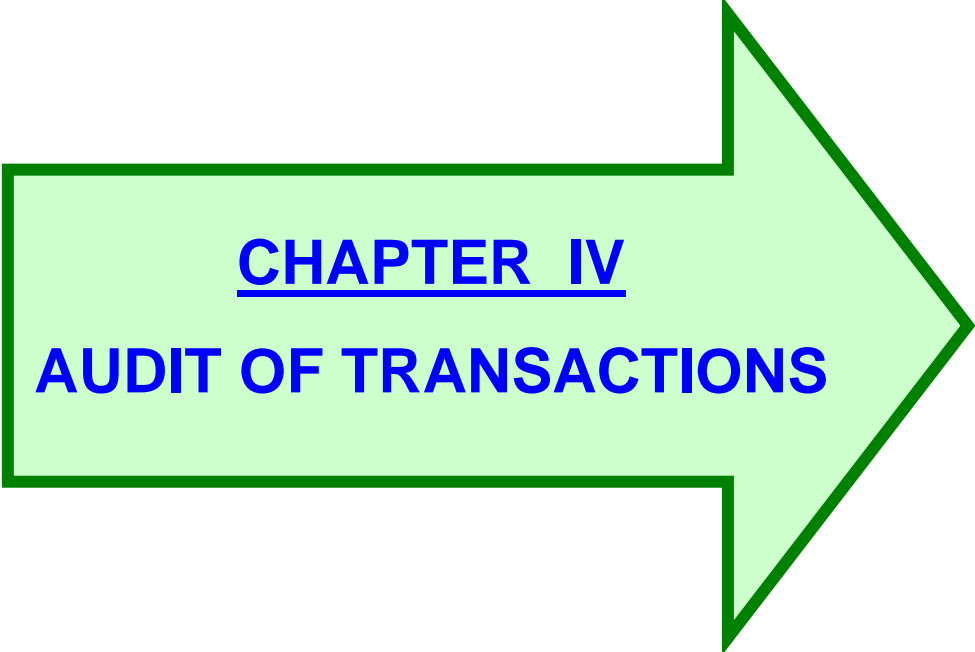
construction of residential schools and hostel buildings and releasing maintenance grants to schools. Release of funds by the Government without ensuring availability of proper infrastructure and technical expertise with the Society and their ability to fully utilise the funds resulted in accumulation of funds with the Society. The financial mis-management of the Society resulted in avoidable payment of recurring interest on a loan despite availability of surplus funds to liquidate the loan.

### **3.8.6 Recommendations**

- Government should entrust the Society with the primary responsibility of administering the residential schools in pursuit of academic excellence.
- The HUDCO loan liability should be cleared to reduce the interest burden on the Society/Government.
- Release of funds to the Society should be need based.

Reply of the Government received in October 2007 has been incorporated at appropriate places.





## **CHAPTER IV**

# **AUDIT OF TRANSACTIONS**

- **Fraudulent drawal/Misappropriation/Loss of Government money**
- **Infructuous/Wasteful expenditure and overpayment**
- **Avoidable/Extra/Unfruitful expenditure**
- **Idle investment/idle establishment/blockage of funds**
- **Regularity issues and other topics**
- **General**



## 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 Fraudulent drawal/Misappropriation/Loss of Government money**

##### ***EDUCATION DEPARTMENT***

*(Directorate of Printing, Stationery & Publications)*

#### **4.1.1 Fraudulent withdrawal of Government money**

**The Director of Printing, Stationery and Publications fraudulently withdrew Rs.1.67 crore from the treasury on the basis of fabricated documents and by subverting the prescribed rules and procedure.**

As per Article 175 of the Karnataka Financial Code, the duty of construction and maintenance of Government buildings devolves on the Public Works Department (PWD). The works would be taken up for execution by the PWD upon communication of the administrative approval and the budget allotment by the head of the concerned department and the execution of these civil works is governed by the provisions of the Public Works Accounts Code and Public Works Departmental Code. The PWD officers are authorised to incur the expenditure by debiting the cost of these works to the major head of account concerned.

Records of the Director of Printing, Stationery and Publications, Bangalore (Director) disclosed (April 2007) that the Director withdrew Rs.1.67 crore during the period from August 2003 to August 2006 from the State Huzur Treasury, Bangalore towards construction of new sheds and a godown for paper at Branch press, Tumkur and for execution of some civil works at Branch press, Shimoga. The amount was drawn despite these works having not been approved by the Government and without any provision of funds. The necessary technical sanction was also not obtained. No tenders were invited for execution of these works. The amount was drawn by diverting funds from other budgetary heads.

One hundred and eighty work bills for an amount of Rs.1.67 crore were prepared in the name of one Shri K.M.Sridhar (159 bills) and M/s.Ganga Electricals (21 bills) and a certificate of satisfactory completion of work purportedly on behalf of the Karnataka State Small Industries Development Corporation (KSSIDC) was recorded (on the reverse of

each bill). A work order was issued *post facto* in respect of each of these bills quoting a reference to the bill number and date. There was no proof of execution of works in measurement books, running account bills, quality control test report, inspection notes, completion certificates, etc., to validate these claims. The records further disclosed that the staff of the Directorate in their notings too had objected to these claims on the ground that they had not been certified by the State PWD and that they would be objected to by Audit. The Director, overruling their objections passed the bills for payment (Rs.1.67 crore).

While the amount was shown to have paid to aforementioned parties, the KSSIDC denied (July 2007) having issued any letter authorising these parties to execute the works on their behalf and to receive the payments directly from the Director. The KSSIDC also confirmed that the certificates of satisfactory completion were not issued by them. It further stated that these contractors were not empanelled in their organisation and that no work had been taken up by them for the Department during the period 2003-07.

It was thus clear that bills for execution of works by the then Director were drawn by fabricating the documents in the name of the KSSIDC. The Government stated (October 2007) that the then Director had been suspended and a departmental enquiry ordered (October 2007).

#### **4.1.2 Excess issue of printing paper and its suspected misappropriation**

Failure of the Director of Printing, Stationery and Publications to assess the actual requirement of paper for printing 2.06 crore copies of school text books resulted in issue of excess quantity (5,461.04 metric tonnes) of paper valued at Rs.17.09 crore and its suspected misappropriation. Besides, there was inordinate delay in supply of the text books to the schools.

The Government sanctioned (April 2004) Rs.20 crore to the Printing, Stationery and Publications department to procure the required machinery, material and labour force to print 2.85 crore copies of text books by the end of May 2004 for supplying them free of cost to the students of standard I to X for the academic year 2004-05. The Government later permitted (May 2004) the entrustment of printing work to the Government of India Press at Mysore, Kerala State Audio Visual and Reprographic Centre (KSAVRC) and Kerala Books and Publications Society (KBPS) also by granting exemption from the purview of the Karnataka Transparency in Public Procurement Act, 1999(KTPP Act). The paper required for printing the text books by these agencies was ordered to be supplied departmentally.

The Director of Printing, Stationery and Publications (Director) placed (May 2004) orders with KSAVRC for printing 2.06 crore copies of text books at the rates notified by the agency with the stipulation to deliver the



text books by 25 June 2004. Since the agency suggested to place a portion of these orders to two more agencies *viz.* KBPS and Kerala State Small Industries Development Corporation (KSSIDC) so as to ensure timely availability of text books, the Director redistributed (June/July 2004) the orders among these agencies. The Director supplied 10,815 metric tonnes (MT) of printing paper (cost: Rs.32.10 crore) to the outsourced agencies and paid them Rs.4.95 crore being the cost of printing 2.10 crore copies of text books besides incurring an expenditure of Rs.1.06 crore on transportation of printing paper to Kerala and the text books from Kerala to Bangalore. Audit scrutiny of records revealed the following:

The quantity of paper required for printing 2.06 crore copies of text books was neither assessed by the Director nor was there any basis to arrive at the requirement of 10,815 MT of paper. Records revealed that out of 10,815 MT paper, 100 MT were despatched (March-April 2004) to the outsourced agencies even before the issuance of orders by the Government exempting them from the purview of KTPP Act, 1999. The Kerala presses were also not instructed to furnish the paper consumption account and return excess paper if any, after printing the ordered quantity of text books. The Director also did not prescribe the maximum permissible wastage of paper in printing these text books. Consequently, the exact quantity of paper consumed by the presses was not available on record. The outsourced agencies neither returned the excess quantity of paper nor furnished the paper consumption account. The Director in reply to a specific audit query in this regard stated (November 2007) that the paper actually required for printing 2.06 crore copies of text books was 5,259.54 MT and that the reasons for despatching excess quantity (5,555.46 MT) of paper to the outsourced agencies would be investigated. Failure of the Director to assess the actual requirement of paper and obtain the paper consumption account from the outsourced agencies led to issue of 10,815 MT of paper as against 5,353.96 MT required to print 2.10 crore copies of text books and suspected misappropriation of 5,461.04 MT of paper valued at Rs.17.09 crore<sup>1</sup>.

Further, no agreement was executed with any of the outsourced agencies specifying the due date for delivery of text books and penalty for delay in supply of books. While the orders for printing text books were placed with these agencies up to the first week of August 2004, the supply of printing paper was made up to the end of December 2004. The agencies supplied 1.99 crore copies of text books during the period August-November 2004 and another 10.49 lakh copies during September 2005. Consequently, the text books could not be supplied to the students on time.

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<sup>1</sup> Cost of 5,461.04 MT paper calculated at an average rate of Rs.31,288 per MT paid to the paper mills during the period May-December 2004.

Government, in their reply stated (October 2007) that outsourcing to Kerala agencies was inevitable as the procurement and operation of the sophisticated machinery in the Government Presses of the State required a minimum six months time. But the department could not explain the enormous delay in supply of books and 5,461.04 MT of paper remaining unaccounted for as detailed above. These issues needed to be investigated.

**FOREST, ECOLOGY AND ENVIRONEMNT DEPARTMENT**

**4.1.3 Misappropriation of Government money**

**Failure of the Range Forest Officer and treasury officials to follow the codal provisions and exercise prescribed checks resulted in misappropriation of Rs.1.73 lakh.**

During scrutiny of accounts of Range Forest Officer, Khanapur Range (RFO) in Forest Division, Belgaum, a case of misappropriation of Government money of Rs.1.73 lakh by a daily wage employee was noticed in audit (July 2006). The amount was drawn fraudulently by presenting 14 salary bills at sub-treasury, Khanapur between May 2005 and July 2006 after manipulating the totals in the bills and accounting for only lesser amount in the departmental cash book. The unaccounted differential amount of Rs.1.73 lakh was misappropriated. The misappropriation was facilitated due to failure of the RFO in following the financial rules, codal provisions and omissions on the part of the treasury officials to verify the correctness of the totals in the bills, as detailed below:

- A daily wage employee was entrusted with the work of preparation of bills and presenting them at the sub-treasury and encashment of cheques from the bank and maintenance of cash book. This was in violation of article 330 of the Karnataka Financial Code which stipulates that a Government servant of sufficient status should be entrusted with the work relating to cash transactions.
- The RFO in his capacity as a drawing and disbursing officer did not ensure the correctness of totals in the bills before signing them and while countersigning the treasury cheques before encashment from the bank.
- The RFO did not reconcile the figures of monthly drawals, required to be obtained from the treasury in form 62B, with the figures appearing in the records of his office. On the contrary, the expenditure figures as per treasury records were reported to the Divisional Office instead of those entered in the records of the Range Forest Office as a result of which the misappropriation could not be detected even during reconciliation with the Office of the Accountant General (Accounts and Entitlements).
- The directions of the Government (July 2005) to follow the revised system of crediting salary of the officials to their bank accounts was not followed and instead salary was being drawn and disbursed in cash.

**On this being pointed out in audit (July 2006), the misappropriated amount of Rs.1.73 lakh was recovered from the defaulting official (July 2006/May 2007) and remitted into the treasury. Action to fix responsibility for the misappropriation was awaited (June 2007).**

**The matter was reported to the Government in May 2007; reply had not been received (October 2007).**

#### **HOUSING DEPARTMENT**

##### **4.1.4 Loss due to failure to obtain TDS certificates**

##### **Failure to obtain TDS certificates resulted in loss of Rs.36.22 lakh to the Karnataka Housing Board.**

Under the Income-tax Act, 1961 (IT Act), when a refund arises as a result of excess tax deducted at source/collected at source in respect of the income assessable for the assessment year commencing on or after 1 April 1969, the assessee should claim the refund within one year from the last day of such assessment year.

It was noticed (September 2006) that during the years 2003-04 and 2004-05, Karnataka Housing Board (Board) had earned income, by way of rent from properties let out and from the interest on fixed deposits, which was subject to deduction of tax at source (TDS) under the IT Act. According to the data furnished by the Board, TDS of Rs.43.04 lakh and Rs.32.47 lakh were made during these years. However, it obtained TDS certificates for Rs.9.06 lakh and Rs.16.13 lakh only for these years and claimed refund by furnishing (September 2005/December 2005) the returns of income to IT authorities. While the Board got the refund of Rs.9.06 lakh for 2003-04 during March 2006, the refund of Rs.16.13 lakh pertaining to the year 2004-05 was yet to be realised. The Board did not, however, obtain the TDS certificates from the tenants/banks for the remaining amounts of Rs.33.98 lakh and Rs.16.34 lakh for these years.

On this being pointed out in audit, the Board obtained TDS certificates for additional sum of Rs.14.10 lakh for 2004-05 and claimed its refund in October 2006 by furnishing a revised return. The balance amount of Rs.36.22 lakh could not be claimed as they were time barred under the Act.

Government in their reply stated (October 2007) that action had been taken to obtain TDS certificates and file the revised returns. The reply was not tenable as the claim was time barred resulting in a loss of Rs.36.22 lakh to the Board.

## **4.2 Infertuous/Wasteful expenditure/Overpayment**

### **FOREST, ECOLOGY AND ENVIRONMENT DEPARTMENT**

#### **4.2.1 Wasteful expenditure on solar power fencing**

**Failure of the departmental officers to monitor execution of solar power fencing works resulted in its sub-standard execution and consequent wasteful expenditure of Rs.37.87 lakh, besides leading to payment of Rs.38.57 lakh towards crop compensation to villagers.**

The Deputy Conservator of Forests, Wildlife Division, Hunsur (DCF) awarded (November 2002) the work of erecting solar powered fencing (SPF) for a length of 80.50 kms in the Rajiv Gandhi (Nagarahole) National Park to a firm at the tendered cost of Rs.78.14 lakh. The work was to be completed by 28 February 2003 which was later extended to 25 March 2003. The SPF was to be maintained by the firm for a period of one year after its completion. Full payment of Rs.77.10 lakh<sup>2</sup> for the work was paid by the DCF to the firm between March 2003 and August 2003 on the basis of the report (March 2003) of its satisfactory completion from the Range Forest Officers (RFOs) concerned.

Scrutiny of divisional records of the DCF (March/December 2006), however, disclosed that the DCF did not obtain fortnightly progress reports of the work during its execution from the firm as stipulated in the contract. Reports of inspection by departmental officers during execution, if any, were also not on record. The DCF, however, inspected the sites (April 2003) at Veeranahosahalli and Metikuppe ranges after completion of the work and found the material used in fencing of substandard quality and execution of work unsatisfactory. The DCF also found that SPF had snapped in many places and no current was flowing through it. In Antharasanthe Range, the RFO reported (November 2003) that the solar poles were in dilapidated condition and not fixed in cement concrete. The RFO further reported to DCF (January/May 2004) that the wild elephants had damaged crops in the fields after entering the villages and damaging the SPF. The DCF, in spite of deficiencies noticed in execution of the work, made payment of Rs.37.50 lakh between June 2003 and August 2003. The Field Director, Project Tiger, Mysore after inspecting all the six ranges reported (July 2004) that SPF had got damaged for a length of 39.019 kms. The Department, while forfeiting (October 2004) the Security Deposit of Rs.3.39 lakh<sup>3</sup> and initiating action for black listing the firm did not get the affected SPF restored and maintained at the cost of the firm through another agency for making it functional.

Thus, failure of the departmental officers to monitor execution of SPF works and get the defects in the SPF rectified resulted in wasteful expenditure of Rs.37.87 lakh. Besides, even after erecting SPF at a cost of Rs.77.10 lakh damage to the crops by elephants and other animals could not be prevented as

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<sup>2</sup> In March 2003: Rs.39.60 lakh, June to August 2003: Rs.37.50 lakh

<sup>3</sup> In respect of affected stretch

envisaged, leading to payment of compensation of Rs.38.57 lakh to the villagers.

The Principal Chief Conservator of Forests (Wildlife) while admitting lapses of the departmental officers asked (April 2007) the Government for setting up of a departmental enquiry against the officials concerned.

The matter was reported to Government in April 2007; reply had not been received (October 2007).

## **PUBLIC WORKS DEPARTMENT**

### **4.2.2 Wasteful expenditure and non-realisation of insurance claims**

**Delay in disposal of a helicopter resulted in wasteful expenditure of Rs.1.19 crore. Failure to provide documents endorsing the recovery rights of insurer against Air Traffic Controller/Air India resulted in non-realisation of Rs.58.27 lakh. Two more insurance claims including the one for Rs.74.93 lakh and another for damages to helicopter due to flood were also not preferred.**

The Government purchased (February 1999) a Dauphin helicopter (cost: Rs.24.66 crore) for use by officials and VIPs during natural calamities, law and order situations, *etc.*, as the helicopter could carry eight passengers without refuelling up to Bidar being farthest point from Bangalore. It had life span of 25 years with 350 hours of flying per annum and direct operating/maintenance cost of Rs.0.24 lakh per hour. It was under the administrative control of the Department of Personnel and Administrative Reforms (DPAR) and the Public Works Department (PWD) looks after its running and maintenance.

Scrutiny of records (February 2006/March 2007) in the offices of the Executive Engineer, No.1 Buildings Division, Bangalore (EE) and the Department of Personnel and Administrative Reforms (DPAR) showed the following:

#### **4.2.2.1 Wasteful expenditure due to delay in its disposal**

The Department maintained the helicopter (expenditure<sup>4</sup>: Rs.6.95 crore) for a period of seven and half years out of which it could not be used for 48 months between July 2002 and August 2006 due to repairs (31 months) and non-availability of pilots (17 months). The Government, had entered into a maintenance contract (October 1998)<sup>5</sup> with Pawan Hans Helicopter Limited (PHHL) and permitted it (October 2004) to ferry the helicopter to Mumbai for repairs. The repairs were completed by March 2005. The helicopter remained idle, stationed at Juhu airport in Mumbai beyond March 2005 due to non-availability of pilots. The Chief Secretary had recommended (March 2005) to dispose of the helicopter, as trained pilots to fly the helicopter could not be arranged since July 2004. In July 2005, the helicopter was

<sup>4</sup> Includes expenditure on repairs

<sup>5</sup> In anticipation of actual purchase in February 1999

damaged in flood waters in Mumbai. Government took 13 months to dispose of the helicopter after it was damaged due to floods in July 2005. It was disposed of (August 2006) by auction without fixing a minimum price realising an amount of Rs.10.16 crore<sup>6</sup>. An expenditure of Rs.78.86 lakh was incurred towards maintenance from October 2004 to August 2006 and Rs.40.30 lakh towards insurance from May 2005 to August 2006.

Delay in disposal of the helicopter after undertaking major overhauling (October 2004) resulted in wasteful expenditure of Rs.1.19 crore on its maintenance and insurance. Insurance claim for the damage due to flood had yet to be preferred (March 2007) as details of damages were not provided by the PHL.

#### ***4.2.2.2 Non-realisation of insurance claim***

The helicopter got damaged on 20 July 2002 due to air blast by an Air India Boeing-747 aircraft while stationed at Bangalore airport. It was thereafter got repaired (January-May 2003) at Mumbai at a cost of Rs.4.34 crore<sup>7</sup> and declared airworthy on 8 May 2003. DPAR took up the damage issue with Air India and Air Traffic Controller (ATC) belatedly (February 2004) after they were indicted by Director General of Civil Aviation (DGCA) for the accident. The matter was not pursued with ATC and Air India after they held the view that they were not liable for the accident. Meanwhile, the EE preferred (July 2003) a claim of Rs.4.33 crore with the insurance company which admitted (October 2004) a claim of Rs.2.33 crore realising (October 2004) only an amount of Rs.1.75 crore. The balance Rs.58.27 lakh was withheld by the company pending submission of copies of correspondence with Air India and ATC for enabling them to establish recovery rights against ATC and Air India. DPAR, however, did not make available the documents as Air India and ATC did not accept their responsibility despite being indicted by DGCA for the accident. The insurance company besides claiming recovery rights against the persons responsible for the accident, further suggested resolving the dispute through the good offices of empowered agencies of the Government or through arbitration. The Government was yet to take action as suggested by the insurance company.

Thus, failure of DPAR to pursue the damage charges against Air India and ATC and delayed follow up action resulted in non-realisation of a sum of Rs.58.27 lakh from the insurance company for over two and half years.

#### ***4.2.2.3 Insurance claim not preferred***

PHHL during inspection on 17 July 2003 observed malfunctioning of one of the two engines of the Dauphin helicopter. Technical report revealed that the Gas Generator Module-3 and Power Turbine Module-4 of the engine required repairs by its manufacturing company. However, the engine was subsequently exchanged (September 2003) with another factory-repaired engine at a cost of Rs.74.93 lakh. Though the helicopter was insured (value: Rs.21 crore) in May 2003 for one year on payment of a premium of Rs.36.95 lakh, the

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<sup>6</sup> Includes an amount of Rs.1.13.crore as 12.5 per cent VAT

<sup>7</sup> Payments made during February to June 2003

Government preferred the insurance claim for Rs.74.93 lakh (July 2007) after four years after the same was pointed out in audit.

#### **4.2.2.4 Avoidable expenditure**

EE issued a supply order (June 2005) for supply of a display screen for the helicopter (cost: Rs.13.19 lakh<sup>8</sup>) for priority delivery. The screen was, however, delivered (September 2005) to PHHL after the helicopter had got damaged (July 2005) at Juhu airport in Mumbai due to floods. No action was taken by the EE to cancel the delivery after the helicopter got damaged in July 2005. The display screen, which was not fixed on the helicopter, was lying with PHHL and had not been obtained back.

The matter was reported to Government in July 2007. Government agreed (August 2007) to claim insurance towards replacement of engine and recover the cost of display screen from PHHL. Action taken by the Government against insurance firms for realisation of balance claim of Rs.58.27 lakh and the cost of damages to helicopter due to floods was awaited (October 2007).

### **PUBLIC WORKS DEPARTMENT - COMMUNICATION AND BUILDINGS**

#### **4.2.3 Excess payment for consolidation of metal**

**Making payment on loose quantities of metal instead of the compacted quantities resulted in excess payment of about Rs.4.54 crore in respect of 1,444 road works.**

Providing Water Bound Macadam (WBM) is one of the items of work required for construction of roads. The item comprises collection of metal, its spreading, watering and consolidation. As per norms of Indian Road Congress, 133 cum<sup>9</sup> of loose metal is required for obtaining 100 cum of consolidated WBM. As per approved Schedule of Rates, the rate for collection and spreading of metal is applicable for loose quantities collected. However, in respect of 'consolidation of metal' the payment is required to be made for the quantities obtained after rolling/compaction to the required thickness.

Scrutiny of records (March 2006) of divisional offices of the Department disclosed that the sanctioned estimates of NABARD assisted and other road works executed<sup>10</sup> during the period 2001-02 to 2005-06 provided therein the item of work 'consolidation of metal' for the loose quantities instead of compacted quantities. Subsequently, while executing the works, the divisions without recording measurements of compacted quantities, made payments on the basis of loose quantities collected. This resulted in excess payments of 33 per cent on the additional quantity which in respect of 100 works executed between 2001-02 and 2005-06 in five test-checked divisions amounted to Rs.56.68 lakh (**Appendix-4.1**). The estimated excess payment in respect of 1,344 works in the remaining 30 divisions based on applicable Schedule of

<sup>8</sup> Payment made in December 2005

<sup>9</sup> IRC 19-1972

<sup>10</sup> Under RIDF VI to X

Rates<sup>11</sup> amounted to Rs.3.97 crore (**Appendix-4.2**). No action was taken by the Department to recover the excess payment and fix responsibility even though pointed out in audit as early as in June 2004.

The Government in reply stated (May 2007) that due care would be taken in future by making payment on finished items and recovery involving large number of cases may not be possible as it might result in a number of litigations. No departmental action was, however, taken to fix the responsibility for the lapse.

#### **WATER RESOURCES DEPARTMENT - MINOR IRRIGATION**

##### **4.2.4 Wasteful expenditure on construction of a minor irrigation tank**

**Despite increasing the slope of a tank work, the tank could not be made viable and functional rendering the expenditure of Rs.9.45 crore on the work largely wasteful.**

The Government accorded administrative approval (March 2003) to the construction of a tank<sup>12</sup> in Arjanal village of Indi taluk at an estimated cost of Rs.5.70 crore for irrigating 415 ha through right bank canal (200 ha) and left bank canal (215 ha), respectively. Chief Engineer, Minor Irrigation (North), Bijapur (CE) accorded the technical sanction (March 2003) to the work. Executive Engineer, Minor Irrigation Division, Bijapur (EE) awarded the work (January 2004) to the lowest tenderer at a negotiated cost of Rs.4.59 crore (12 *per cent* over SR 2002-03) for completion by January 2006. Execution of bund and appurtenant works except canal work were completed (December 2005) incurring an expenditure of Rs.9.45 crore. This included additional expenditure of Rs.4.64 crore incurred on increase in slope of the bund without the approval of the competent authority. The right and left bank canals were yet to be taken up (March 2007). A revised estimate for Rs.11.64 crore to cover increase in cost proposed (April 2007) by CE was yet to be approved by Government.

Scrutiny of records of the EE and CE (February/July 2007) disclosed that the CE accorded technical sanction to the work without undertaking survey of the command area to be covered by the tank. Despite the omission, the CE misreported to Government at the estimation stage, that the command area of the tank would not overlap with any other project. The omission was further compounded after CE rendered (June 2003) a clarification to a specific query from the Administrative Department that the command area of the tank had not been covered by Indi Branch Canal (IBC) of Upper Krishna Project maintained by Krishna Bhagya Jala Nigam Limited (KBJNL), a Government Company. Consequently, Government cleared (October 2003) the work for execution.

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<sup>11</sup> Actual payments were made at tendered rates on premium to rates in SR

<sup>12</sup> Earthen bund, waste weir, tail channel, sluice gates for canal network, *etc.*



After execution of the bund and appurtenant works, the CE, during site inspection (November 2006) noticed that a part of the command area of the tank was already covered by IBC and it was not possible to irrigate the command area of 200 ha with right bank canal using gravity flow. Records of KBJNL showed that out of command area of 215 ha of left bank canal, 128 ha had already been covered (December 2002) by IBC. Further, 70.80 ha of left bank canal apart from the command area of right bank canal (200 ha) were not susceptible for flow irrigation as they were at higher terrain. Consequently, the actual command area available for the tank was only 16.20 ha as against 415 ha envisaged. This rendered the project unviable as the benefit cost ratio worked out to far less than one considering the reduction in command area as well as increase in cost.

Thus, construction of tank was rendered unviable due to non-availability of command area and the expenditure of Rs.9.45 crore thereon was largely unfruitful.

The matter was reported to the Government in September 2007; reply had not been received (October 2007).

### **URBAN DEVELOPMENT DEPARTMENT**

#### **4.2.5 Wasteful expenditure**

**Erroneous designing and estimation of a water supply scheme to provide a separate pipeline to a nearby milk powder plant resulted in a wasteful expenditure of Rs.83.29 lakh and an avoidable expenditure of Rs.34.52 lakh on pipes for the schemes.**

The Government approved (February 2005) the project for a permanent Water Supply Scheme (WSS) to Sravanabelagola village in Hassan District at an estimated cost of Rs.14.50 crore in view of the “Mahamastakabhishekha<sup>13</sup>” celebrations during the year 2006. The project envisaged pumping about 0.90 million gallons of water per day (MGD) from Hemavathy river to supply about 0.17 MGD to Sravanabelagola, 0.55 MGD to cater to the water requirements during the Mahamastakabhishekha ceremony (estimated cost:Rs.11.79 crore) and another 0.18 MGD to a proposed Milk Powder Plant/Dairy of the Karnataka Milk Federation (KMF) at Shettihalli (estimated cost: Rs.2.11 crore) besides providing some missing links to underground drainage facilities and renovation of sewage treatment plant at Sravanabelagola (Rs.0.60 crore). The project was entrusted (February 2005) to the Karnataka Urban Water Supply and Drainage Board (Board) for execution out of funds earmarked for Mahamastakabhishekha celebrations. The work was got done through two contractors; one for commissioning WSS to Sravanabelagola (tendered cost: Rs.9.86 crore) and another for WSS to the KMF Plant at Shettihalli (tendered cost: Rs.1.07 crore). Both the works were completed and commissioned (January/February 2006) at a cost of Rs.12.22 crore. Audit scrutiny of the Board's records revealed:

<sup>13</sup> the ritual anointing ceremony of Lord Bahubali statue at Sravanabelagola held once in twelve years

- The sanctioned estimate for WSS to Sravanabelagola provided for pumping 0.90 MGD water using three pumps of 75 HP capacity each and construction of a rising main using 300 mm diameter ductile iron (DI) pipes. This was sufficient to lift and transport the water (0.90 MGD) to both Sravanabelagola WSS and the WSS for KMF. The sanctioned estimate of WSS for KMF also provided for another set of two pumping machinery each of 30 HP capacity and a rising main of 150 mm diameter pipes to a length of 6.92 Kms which ran parallel to the rising main supplying water to Sravanabelagola. The works were executed as per the sanctioned estimates and an expenditure of Rs.83.29 lakh was incurred on providing the pumping machinery and construction of the rising main for WSS to KMF. As the pumping machinery and the rising main designed for the WSS to Sravanabelagola was for the gross requirement of 0.90 MGD of water which could also cater to the WSS to KMF, the provision of two additional pump sets and a separate rising main to KMF was wholly unnecessary resulting in a wasteful expenditure of Rs.83.29 lakh (**Appendix-4.3**).
- The Board included in the tenders for the above works, supply of DI pipes and PVC pipes of various diameters. While estimating the cost of these pipes, the Board adopted the rates fixed under the rate contracts (RC) (executed by them with various RC firms) instead of adopting their own Schedule of Rates. The contractors quoted their premium on this item of work and accordingly the rates paid were higher than those under the RC. Under the RC system, the supplier firms were obliged to supply the pipes anywhere in the State. As such, the Board could have procured these pipes and supplied to the contractors instead of entrusting the supply to them. Consequently, there was an avoidable expenditure of Rs.34.52 lakh on account of rate differential between the RC rates and rates paid to the contractors (**Appendix-4.4**).

The matter was reported to the Government in January 2007; reply had not been received (October 2007).

#### **4.2.6 Excess payment to a contractor**

**The injudicious action of the Karnataka Urban Water Supply and Drainage Board to make payments for earthwork excavation and construction of embankment for an impounding reservoir at higher rates resulted in excess payment of Rs.1.32 crore to the contractor.**

Under the Scheme for augmentation of water supply to Navalgund town in Dharwad district, the Karnataka Urban Water Supply and Drainage Board (Board) took up (June 2002), construction of an impounding reservoir at an estimated cost of Rs.4.49 crore. The work was got executed (July 2003) through a Public Sector Undertaking<sup>14</sup> (PSU) at 10 per cent above the estimated cost. A total payment of Rs.4.94 crore (July 2004) was made to the PSU. The work entrusted to the PSU included, *inter alia*, two items of work *viz.*, 2.25 lakh cubic metres (cum) of earthwork excavation in all kinds of soil

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<sup>14</sup> Hindustan Steel Works Construction Limited

and construction of an embankment (core area) utilising 1.25 lakh cum of soil excavated for the impounding reservoir. The actual quantities executed under the earthwork excavation and embankment were 3.22 lakh cum and 1.26 lakh cum respectively and the PSU was paid Rs.1.39 crore and Rs.1.45 crore accordingly for these items of work.

Scrutiny (April 2006) of records revealed that the PSU was to transport 1.26 lakh cum of excavated soil to the site of bund involving a lead of one kilometre and the remaining soil (1.96 lakh cum) was to be dumped at a place beyond three kilometres from the site of excavation as per stipulations in the agreement. The rate payable per cum of earth excavated and transported to a distance of three kms was Rs.47.57 per cum as per the agreement. It was observed from the final bill of the work that the Board paid the entire quantity of 3.22 lakh cum of earth work excavation at Rs.47.57 per cum although 1.26 lakh cum out of this quantity had been transported to the site of bund involving a lead of only one km which should have been paid at Rs.39.32 per cum<sup>15</sup> as against Rs.47.57 per cum. This resulted in excess payment of Rs.10.38 lakh<sup>16</sup> to the PSU.

It was also observed that the Board incorrectly applied the rate of Rs.127.13 per cum applicable for construction of embankment with soil brought from borrow area although the same was constructed from the available excavated soil. The rate payable for the construction of embankment with available soil including area weightage, agency premium and the lead charges for one kilometre was Rs.30.14 per cum as per the prevailing Schedule of Rates of the Minor Irrigation Department which was adopted by the Board for preparation of the estimate. The failure of the Board to adopt the rate actually applicable as per the specifications of the work resulted in excess payment of Rs.96.99 per cum and the total excess payment on 1.26 lakh cum of embankment work was Rs.1.22 crore.

The matter was reported to the Government in May 2007; reply had not been received (October 2007).

### **4.3 Avoidable/extra/unfruitful expenditure**

#### **LABOUR DEPARTMENT**

##### **4.3.1 Additional expenditure due to purchase of drug at higher rates**

##### **Additional expenditure of Rs.38.25 lakh was incurred on purchase of a drug at higher rate.**

The expenditure on provision of medical services to beneficiaries under the Employees' State Insurance Scheme is shared by the State Government with the Employees' State Insurance Corporation (ESIC) in the ratio of 1:7. According to purchase guidelines of ESIC, for procurement of drugs to

<sup>15</sup> Worked out on the basic rate of Rs.15 and an addition lead of one kilometre plus agency premium of 10 per cent

<sup>16</sup> 1,25,779.56 cum x Rs.8.25 per cum = Rs.10,37,681

be administered under the scheme, the use of ESI Central Rate Contract by State Directorates is mandatory for maintaining quality and uniformity of medicines supplied. In September 2005, ESIC clarified that in cases of legal difficulty, specific exemption from operation of the ESIC Rate Contract was to be sought. According to the ESI Rate Contracts for Cyclosporin, the approved rates for capsules of 25 mg were Rs.9.80 each for 2004-05 and Rs.11.80 each for 2005-06 and for capsules of 50 mg, the rates were Rs.19.60 each for 2004-05 and Rs.24 each for 2005-06.

It was, however, noticed (October 2006) that the Director of ESI Scheme (Medical Services), Bangalore purchased this drug during June 2004 to June 2006 from a manufacturer not included in the said Rate Contracts of ESIC. The rates paid were higher at Rs.28.56 each for 60,150 capsules of 25 mg and Rs.57.10 each for 79,700 capsules of 50 mg. The Director had not obtained specific exemption from operation of the Rate Contracts. These purchases at higher rates resulted in additional expenditure of Rs.38.25 lakh.

The matter was reported to the Government in November 2006; reply had not been received (October 2007).

#### **PUBLIC WORKS DEPARTMENT - NATIONAL HIGHWAYS**

##### **4.3.2 Avoidable payment of interest and compensation on land acquisition**

**Failure of the Department to deposit 50 per cent of the enhanced compensation in the lower court, as directed by the High Court, resulted in dismissal of appeal of the Department and payment of enhanced compensation of Rs.6.04 crore including avoidable interest of Rs.61 lakh.**

Executive Engineer, National Highways Division, Hubli (EE) acquired<sup>17</sup> (October 1985) 30 acres 27 guntas land comprising 28 cases at Rayanal village for construction of Hubli-Dharwad by-pass road. A land compensation of Rs.2.57 lakh was paid (1985) to the owners as per the award passed (August 1985) by Special Land Acquisition Officer, National Highways, Dharwad (SLAO) providing for land compensation ranging from Rs.3,000 to Rs.5,000 per acre. The land owners, however, in 22 cases (28 acres 11 guntas) challenged the award and filed appeals (1986) in the civil court pleading payment of compensation at higher rates which was allowed (August 2002) by the court raising the compensation amount to Rs.3.60 lakh per acre. The Department, preferred appeal<sup>18</sup> (2002) in the High Court against the order of the civil court in respect of 19 cases (26 acres 10 guntas). The High Court while admitting (26 February 2004) the appeals and granting *ad interim* stay to lower court's order directed the Department to deposit 50 per cent of the enhanced compensation granted by the lower court within six weeks. This amount (Rs.2.39 crore) was not, however, deposited by the Department within the stipulated time. Later, High Court in its judgement (March 2004) set aside the lower court order and directed to pass appropriate award of the acquired

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<sup>17</sup> Possession of the land taken over in October 1985

<sup>18</sup> After obtaining approval (October 2002) from the Law Department

land *de-novo* within a period of six months after taking into account all the relevant material and recording its findings on comparability of the acquired lands. It further directed the Department to deposit 50 *per cent* of the enhanced compensation with the lower court, as directed by it earlier (February 2004), within the extended four weeks time<sup>19</sup> from the date of judgement (March 2004) failing which its order would stand rescinded without any further orders from the High Court and the appeal would stand dismissed. The Department, despite High Court direction, did not deposit 50 *per cent* of the enhanced compensation in the lower court. Consequently, the appeal made in 19 cases stood dismissed.

Scrutiny of records (August 2004/September 2006) in the offices of the SLAO and the EE revealed that the Department did not project the requirement of funds within four weeks time for depositing in the court and belatedly included it in its second Revised Estimates and proposed for funds on 19 May 2004 along with its other requirements to the Ministry of Road Transport and Highways which were provided by them only in April 2005. The delay in obtaining funds and failure to deposit them in the lower court within the stipulated time, as per the directions of the High Court, resulted in dismissal of the appeal made by the Department and additional payment of Rs.6.04 crore as land compensation. This also included avoidable payment of interest of Rs.60.53 lakh for the period from August 2002 to March 2005.

The matter was reported to the Government in April 2007; reply had not been received (October 2007).

### **URBAN DEVELOPMENT DEPARTMENT**

#### **4.3.3 Avoidable payment of penalty**

##### **Failure to install power capacitors by the Karnataka Urban Water Supply and Drainage Board in High Tension installations for water supply works resulted in payment of penalty of Rs.91.32 lakh.**

Under the Karnataka Electricity Reforms Act, 1999, a high tension (HT) consumer is required to maintain an average power factor<sup>20</sup> (PF) of not less than 0.90 and if it falls below this level, a surcharge of three paise per unit of power consumed is leviable for every reduction of PF by 0.01 below 0.90. For this purpose, the HT consumers are required to install power capacitors (power factor correction apparatus) in their installations so as to maintain the prescribed PF.

Audit scrutiny (October 2006) of electricity bills of four divisions<sup>21</sup> of the Karnataka Urban Water Supply and Drainage Board (Board) for the period 2002-07 revealed that PF penalty aggregating Rs.91.32 lakh (**Appendix-4.5**) was paid by the Board for its failure to install power capacitors. The Board attributed (November 2006) non-installation of power capacitors to non-

<sup>19</sup> By 30 April 2004

<sup>20</sup> Power factor is the ratio between the voltage and current. If the PF is less than one, the supply of current will be more with accompanying transmission losses.

<sup>21</sup> Bellary, Gadag, Gulbarga and Hubli-Dharwad.

release of sufficient funds by the Civic Bodies viz., City Municipal Corporation/City Municipal Councils. The reply is not tenable as the cost of a capacitor (Rs.300 to Rs.3,500) was too meagre compared to the amount of penalty paid by the Board. Moreover, the onus of installing a suitable power capacitor was on the HT consumer (the Board) as per the regulations of the Karnataka Electricity Reforms Act, 1999.

The matter was reported to the Government in May 2007; reply had not been received (October 2007).

#### **4.3.4 Avoidable expenditure on filling up with earth**

##### **The injudicious action of the Bangalore Development Authority to fill the low lying sites with earth from borrow areas despite availability of loose earth at site resulted in an avoidable expenditure of Rs.68.54 lakh.**

The Bangalore Development Authority (BDA) executed (2002-06) the work of formation and development of Sir M.Vishweshwaraiah Layout in Bangalore South and North taluks to distribute 10,000 residential sites to the general public besides providing the necessary civic amenities. The work was executed under 16 separate packages through contractors and an expenditure of Rs.38.20 crore was incurred.

Audit scrutiny of records in six test-checked packages revealed (December 2006) that the Commissioner, BDA during his inspection of the work observed (March 2003) that certain sites were low lying and required to be filled up to the ground level so as to avoid any complaint from the allottees in future. Accordingly, the low lying sites in six packages<sup>22</sup> were got filled up (September 2005 to March 2006) with 1.64 lakh cubic metres (cum) of soil brought from borrow areas at a total cost of Rs.1.18 crore despite availability of 2.72 lakh cum of loose earth from the excavation carried out under these six packages during 2002-03.

The material was brought from borrow areas at an average cost of Rs.73.44 per cum as against the average cost of Rs.31.71 per cum<sup>23</sup> payable for transporting the available loose earth from the spoil banks to the low lying sites within the layout and filling them. The action of the BDA to fill the sites with earth brought from borrow areas despite availability of sufficient loose earth at site resulted in an avoidable extra expenditure of Rs.68.54 lakh.

Government replied (October 2007) that bulk of the excavated soil (2.40 lakh cum) could not be used for filling as it contained plastic, paper, garbage, etc., which was not suitable for filling apart from 19,425 cum of soil considered as loss during transit. The reply is not tenable as the BDA paid the contractor the rate applicable for excavation in ordinary soil (2.40 lakh cum) which according to tender specification did not contain any unwanted material like garbage, plastic, paper, etc., and the loss considered during transit was only notional.

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<sup>22</sup> Package Nos. I, III, VII, IX, XIII & XIV

<sup>23</sup> Rs.24.90 - Lead charges per cum/km of excavated muck + Rs.5.50 spreading charges + Rs.1.31 Average tender premium = Rs.31.71

**WATER RESOURCES DEPARTMENT****4.3.5 Unfruitful expenditure on cloud seeding operation**

**Delay in issue and finalisation of tenders, non-inclusion of appropriate cloud seeding technique in the agreement and lapses in providing infrastructural and technical support adversely affected the cloud seeding operation for augmenting rainfall during south-west monsoon rendering the expenditure of Rs.9.37 crore largely unfruitful.**

The Government approved (May 2003) 'Project Varuna' for augmenting rainfall during south-west monsoon (July to October 2003) using cloud seeding technique for mitigating irrigation/drinking water shortage due to drought. The technique, using an aircraft, involves infusion of chemicals into moisture bearing clouds for inducing precipitation and consequent rainfall. The infusion of chemicals, depending on cloud conditions in a particular area, is done either at the base of the clouds called 'warm cloud seeding'<sup>24</sup> or at their top called 'cold cloud seeding'<sup>25</sup>. The project executed by Executive Engineer, No. 1 Gauging Division, Hassan (EE) was monitored and coordinated by Superintending Engineer (Hydrology), Water Resources Development Organisation (WRDO), Bangalore. An expenditure of Rs.9.37 crore<sup>26</sup> was incurred on the project.

Scrutiny of records of the EE and Engineer-in-Chief, WRDO, Bangalore (January/March 2007) revealed that, on inviting tenders (June 2003), three foreign tenderers<sup>27</sup> responded of which only one was found (July 2003) to be technically qualified by the tender evaluation committee<sup>28</sup>, headed by Secretary, Water Resources Department. The committee recommended (July 2003) to go only for 'warm cloud seeding' due to tropical conditions prevalent in Karnataka and after negotiations recommended acceptance of the tender from the sole valid bidder for Rs.5.65 crore against his tender offer of Rs.5.73 crore. Government approved (August 2003) the operation at a cost of Rs.5.65 crore apart from cost of chemical flares and extra flying hours beyond 100 hours using an aircraft with a radar at Jakkur airbase. Later Government approved (September 2003) installation of another radar system at Gadag at an additional cost of Rs.1.94 crore. Accordingly, EE executed agreements with the agency on 6 August 2003 and 29 September 2003. However, the agreements were made without specifying the cloud seeding technique to be used by the agency which was left to its discretion, reasons for which were not

<sup>24</sup> Suitable for tropical areas by flying aircraft at the base of the clouds using hygroscopic seeding devices like sodium chloride flares

<sup>25</sup> Conducting the operation by flying aircraft at the top of the clouds injecting silver iodide flares to accelerate the process of ice formation resulting in cloud precipitation and rainfall

<sup>26</sup> Amount paid to the agency (Rs.8.52 crore) for cloud seeding *plus* customs duty for import of radar and flares (Rs.0.68 crore) *plus* miscellaneous expenditure *viz.*, tendering charges, committee meeting expenses, *etc* (Rs.0.17 crore)

<sup>27</sup> M/s Atmospheric Incorporated (AI) and M/s Weather Modification Incorporated (WMI) from USA and M/s First Technology from UAE

<sup>28</sup> Comprising members drawn from Water Resources Department, Indian Meteorological Department, Drought Monitoring Cell, Karnataka State Remote Sensing Application Centre, Indian Institute of Tropical Meteorology (Pune), Government Flying School, Finance Department and WRDO

on record. Further, conditions and parameters for monitoring additional rain fall expected from the operation and the number of additional rain gauge stations to be set up by the Department were also not specified in the agreements though the tender document required the bidders to cover these aspects. The agency later carried the operation largely using ‘cold cloud seeding’ technique<sup>29</sup> instead of ‘warm cloud seeding’ technique which was attributed by it (February 2004) to operational difficulties such as not seeing base cloud features due to poor visibility, loss of flight tracks, data telemetry and communication during base cloud seeding operation. The operation was carried with the radar at Jakkur from 21 August 2003 to 18 November 2003 and with the radar at Gadag from 25 September 2003 to 18 November 2003 undertaking 295 flying hours. It included avoidable 64 flying hours (variable cost: Rs.13.35 lakh) when there were no seedable clouds (51 hours) or when rains had already set in (13 hours). The operation got delayed due to delay in finalisation of tenders and went beyond the monsoon period of October. The effectiveness of the operation carried out at a cost of Rs.9.37 crore was not monitored by the Department in the absence of adequate rain gauge stations.

Thus, the failure to include appropriate cloud seeding technique in the contract agreements, lapses in providing infrastructural and technical support and delay in issue and finalisation of tenders adversely affected the cloud seeding operation. This resulted in not achieving the objective of augmenting rainfall during south-west monsoon rendering the expenditure of Rs.9.37 crore largely unfruitful.

The matter on being reported to the Government in May 2007, Government stated (November 2007) that the technique of cloud seeding was solely judged on the spot, depending on the characteristics of the cloud and therefore it was not possible to mention before hand in the agreement and the total rainfall that occurred was measured through ordinary rain gauges.

The reply was not tenable since the tender evaluation committee had recommended only ‘warm cloud seeding’ technique suitable for tropical areas and the evaluation report of the Indian Institute of Science also opined that in majority of days the clouds were seeded from top and self-recording rain gauges which are required to measure the extent of rainfall data were not provided by the Department.

#### ***WATER RESOURCES DEPARTMENT - MINOR IRRIGATION***

##### **4.3.6 Unfruitful outlay on a minor irrigation tank**

**Execution of the work without acquiring required land including that for right bank canal resulted in an unfruitful expenditure of Rs.1.21 crore on the construction of the irrigation tank.**

The Government accorded administrative approval (March 2000) to the construction of a minor irrigation tank (estimated cost: Rs.94 lakh) for irrigating 76 hectares of land in Buddini village, Lingasugur taluk of Raichur

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<sup>29</sup> Using 3587 silver iodide flares



district. The work technically sanctioned (March 2000) by Chief Engineer, Minor Irrigation (North), Bijapur (CE), was awarded (October 2000) to a contractor at his tendered cost of Rs.1.04 crore for completion within 12 months from the date of handing over site. As of March 2007, only tank and appurtenant works had partly been completed incurring an expenditure of Rs.1.58 crore and construction of canal, channel sluice, *etc.*, was yet to be taken up.

Scrutiny of records of Executive Engineer, Minor Irrigation Division, Kushtagi (EE) (December 2006) revealed that the work was awarded (October 2000) to a contractor without acquiring the land required for the work which was initially under-assessed (March 2000) at 28 acres 34 guntas and later enhanced to 77 acres 27 guntas. Out of this, 30 acres three guntas had been acquired and the remaining area was under various stages of acquisition. After taking possession of 14 acres 10 guntas of land on consent basis (January 2001), the EE handed over 5 acres 20 guntas to the contractor (November 2002) for construction of bund and waste weir. The contractor took up the work only in November 2003 after the Department obtained a geological report (March 2003) from the Mines and Geology Department. The contractor completed (August 2005) the construction of the earthen dam and its appurtenant works at a cost of Rs.1.21 crore. The work of constructing 1.38 km right bank canal was not taken up as the Department had not acquired 2 acres 30 guntas land required for it. As such, the canal work and other remaining works could not be taken up and water stored in the tank since July 2005 was not utilised for irrigation.

Thus, execution of the work without acquiring required land including that for construction of right bank canal resulted in expenditure of Rs.1.21 crore on construction of tank being rendered unfruitful.

The matter was reported to the Government in July 2007; reply had not been received (October 2007).

#### **4.3.7 Avoidable extra expenditure**

**According technical sanction and awarding a work without finalising the location of the waste weir delayed the completion of the work besides leading to an extra expenditure of Rs.70.82 lakh on entrustment of left-out items of work at higher rates.**

Executive Engineer, Minor Irrigation Division, Dharwad (EE), proposed (2000-01) construction of a tank near Muradi village for irrigating 1,165 acres land in drought prone areas of Gadag district after undertaking survey and investigation (1999-2000) at a cost of Rs.7.92 lakh. The project envisaged construction of earthen dam for a length of 990 metres and other appurtenant works like waste weir and right and left bank canals. Administrative approval (January 2002) and technical sanction (March 2002) to the work was accorded for Rs.2.40 crore (based on SR of 2000-01). The work was awarded

(December 2003) to a contractor at his lowest offered cost of Rs.1.23 crore<sup>30</sup> for completion by February 2006. The work on which an expenditure of Rs.2.34 crore was incurred had not been completed as of October 2007.

Scrutiny (December 2006) of records of the EE revealed that the estimate for the work was technically approved (March 2002) and put to tender (January 2002) without incorporating the changes as suggested (1999) by the Technical Appraisal Committee (TAC) to shift the bund location down the stream which increased bund length from 990 metres to 1,360 metres. Further, the approved estimate did not include quantities of work relating to construction of tail channel, cross drainages and right and left bank canals. This resulted in under-estimation of the tendered quantities by Rs.67.89 lakh<sup>31</sup>. The bund work was, however, taken up by the contractor at the new site handed over to him (February 2004). Subsequently, Chief Engineer ordered shifting the location of the waste weir of the bund on two occasions (June 2004 and November 2005) from left to right and again to left side of the bund. Thus, delay in selection of site for waste weir and exclusion of remaining components of the work necessitated revision in the cost of work to Rs.4.97 crore.

Meanwhile, the contractor after executing earthwork excavation and formation of bund at the new location down the stream, except for a length of 100 metres each on both sides of the bund and in its gorge portion, at a cost of Rs.97.88 lakh<sup>32</sup> stopped (March 2005) the work as he did not agree to execute the additional quantities and extra items of work at tendered rate and instead offered to execute them at a discount of one *per cent* of Current Schedule of Rates for the year 2004-05. Consequently, the Division took (February 2006) *ex-parte* final measurements of the work done by him and invited fresh tenders (June 2006) for the balance work of Rs.1.78 crore which included additional quantities (Rs.44.95 lakh) and extra items (Rs.22.94 lakh). The work was allotted (November 2006) to a construction company at a tendered cost of Rs.1.89 crore<sup>33</sup>. The second agency achieved a financial progress of Rs.1.53 crore (March 2007) and the remaining work was in progress (October 2007).

Thus, according technical sanction and awarding the work without finalising the location of waste weir delayed the completion of the work besides leading to an extra expenditure of Rs.70.82 lakh<sup>34</sup>.

The matter was reported to the Government (April 2007); reply had not been received (October 2007).

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<sup>30</sup> At a tender discount of 45.04 *per cent* of SR 2000-01

<sup>31</sup> As per SR of 2004-05

<sup>32</sup> Payment made to contractor Rs.81.35 lakh

<sup>33</sup> At a tender premium of 5.85 *per cent* to SR of 2004-05

<sup>34</sup> Based on differences in tendered rates of first and second agency in respect of balance quantities

#### 4.4 Idle investment/Idle establishment/Blockage of funds

##### COMMERCE & INDUSTRIES DEPARTMENT

#### 4.4.1 Locking up of Government funds

**Injudicious decision of the Karnataka Industrial Area Development Board to buy a land not suitable for setting up the Export Promotion Industrial Park at Mangalore and payment of project funds to an agency to commission a water supply scheme even before acquiring the land resulted in locking up of Government funds of Rs.5.42 crore.**

The Karnataka Industrial Area Development Board (Board) took up (2001-02) the project of setting up an Export Promotion Industrial Park (EPIP) at Mangalore at an estimated cost of Rs.26.52 crore under the centrally sponsored EPIP scheme. The project envisaged creation of necessary infrastructure for the industries such as road and drains, water and power supply, telecommunication and other amenities. The project was to be funded out of the Central share of Rs.10 crore, State share of Rs.7.50 crore and the remaining was to be mobilised by the Board. Out of the approved Central/State share, the Board received Rs.5.42 crore (Central share: Rs.two crore, State share: Rs.3.42 crore) during 2001-02. An expenditure of Rs.15.05 crore had been incurred (March 2007) on acquisition of land (Rs.10.65 crore) and infrastructure development works (Rs.4.40 crore). The project scheduled for completion in June 2007 was still in progress (March 2007).

Audit scrutiny (October 2006) of the records of the Board showed that the development works could not be taken up until December 2004 due to delay in acquisition of land. Although, the Board had initially identified (March 1997) 125 acres of land at Kulai, the same was abandoned (April 2002) as it was not considered appropriate. Another location at Ganjimutt village was considered too far from the city. The Board purchased (July 2003) 106 acres of land at Baikampadi out of the State share of Rs.3.42 crore and abandoned it in view of being marshy and uneven. It was finally decided to locate the project at Ganjimutt village and 202 acres of land were purchased (November 2004) at a cost of Rs.10.65 crore and the development works taken up.

The Board advanced (March 2004) Rs.two crore to the Karnataka Land Army Corporation (KLAC) even before the acquisition of land for commissioning an independent water supply scheme for the project. As the KLAC did not commence the works even after two years of receipt of the funds, the Board entrusted (April 2006) the work to another agency and demanded refund of money from KLAC. The KLAC was yet to refund Rs.two crore (May 2007).

Thus, injudicious action of the Board to buy land at Baikampadi out of the State's share of Rs.3.42 crore and pay Rs.two crore to the KLAC to commission the water supply scheme even before acquisition of the land resulted in locking up of project funds of Rs.5.42 crore.

The matter was reported to the Government in January 2007; reply had not been received (October 2007).

## **DEPARTMENT OF TOURISM**

### **4.4.2 Locking up of Central assistance with the executing agency**

**Failure to make land for location of an eco-tourism and nature camp project available to the executing agency led to locking up of Rs.1.48 crore with the agency.**

The Government of India sanctioned (December 2004) Rs.2.02 crore under the Scheme of Product and Infrastructure Destination Development for development of an eco-tourism and nature camp project at Lakkavalli in Chickmagalur district and released Rs.1.62 crore as the first instalment. The scheme comprised creation of facilities like construction of cottages and tented platforms (Rs.1.08 crore), improvement of habitat (Rs.35 lakh) and purchase of water sports, trekking and camping equipment (Rs.59.34 lakh). The scheme was to be implemented through a State Government Undertaking and completed in 24 months. The amount was released by the Commissioner for Tourism to the Agency in March 2005.

The site for location of facilities as per the project report was Lakkavalli, Bhadra in Tarikere Taluk. The title of fully developed piece of this land was to be transferred to the Government of India free of charge and the Project, on completion, was to be maintained by the State Government at its cost. The State Government was also required to forward to the Government of India quarterly detailed physical and financial progress reports of the project.

Audit scrutiny revealed (January 2007) that neither the land specified in the project report nor any other suitable land for location of the project was handed over to the executing Agency. Only Rs.13.78 lakh were spent on purchase of water sports equipment and the balance of Rs.1.48 crore remained unused with the Agency since March 2005 though the project was to be completed by March 2007 i.e. within 24 months. The Department had also not submitted progress reports to the Government of India.

Thus, release of funds by the Commissioner, Tourism without firming up suitable land for the project led to locking up of Rs.1.48 crore with the executing Agency and deprived the Government of the expected benefits of the infrastructure development.

The matter was reported to the Government in March 2007; reply had not been received (October 2007).

### **4.5 Regularity issues and other points**

## **FINANCE DEPARTMENT**

### **4.5.1 Excess Payment of Family Pension**

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 576 cases relating to 27 district treasuries, public sector banks made payment of family pension at enhanced rate beyond the period indicated in the Pension Payment Orders issued by the Accountant General (A&E) resulting in excess payment of Rs.1.41 crore (**Appendix-4.6**).

Despite being pointed out during earlier treasury inspections, banks continued to pay family pension at higher rate in 161 cases relating to 18 treasuries resulting in further excess payment of Rs.42.03 lakh (**Appendix-4.7**). The Government did not enforce the provisions of indemnity bonds executed by the public sector banks for the recovery of excess payment of family pension.

### **FOOD & CIVIL SUPPLIES DEPARTMENT**

#### **4.5.2 Inflated projection of demand and diversion of funds**

**Failure of the Government to ascertain the exact amount of bills pending settlement in the Food and Civil Supplies Department resulted in release of surplus funds and consequent diversion of Rs.1.67 crore.**

The Commissioner, Food, Civil Supplies and Consumer Affairs, Bangalore requested (March 2005) the Government to release Rs.4.73 crore as supplementary grants to the Department for settlement of pending bills for the years 2003-04 (Rs.2.22 crore) and 2004-05 (Rs.2.51 crore) towards computerisation of yellow cards for issue to BPL families. Government released (March 2006) Rs.3.73 crore exclusively for settlement of pending bills with directions to utilise the said amount within three months. The Department utilised Rs.3.12 crore out of these funds up to March 2007 and Rs.61 lakh were lying in PD Account of the Commissioner (June 2007).

Records disclosed (January 2007) that the Department had only estimated the liability on account of pending bills (Rs.2.51 crore) for requisitioning the funds. The Government too, did not ensure that the bills were actually pending settlement as details of pending bills were neither furnished by the Department nor collected by the Government before releasing the funds. Out of the funds released by Government, the Department settled (April-June 2006) pending bills amounting to Rs.2.06 crore only. Instead of surrendering the savings of Rs.1.67 crore, the Commissioner spent Rs.35.87 lakh on purchasing laptop computers, office furniture and payment of advertisement charges and consultation fees and sought (July 2006) the sanction of Government to purchase 15 departmental vehicles (Mahindra Scorpios) for his own official use and his departmental officers. Although the existing vehicles were not

certified by the RTO as condemned, State Government approved (March 2007) utilisation of Rs.74.50 lakh out of the savings, for purchase of 17 vehicles and directed the Commissioner to remit the balance lying in the PD Account. As against this, the Commissioner incurred an expenditure of Rs.70.41 lakh and purchased 15 Tata Sumo Vans (Rs.59.74 lakh), one Hyundai Verna Car (Rs.6.49 lakh) and one Ambassador Car (Rs.4.18 lakh). The balance (Rs.61 lakh) in the PD Account was yet to be remitted to Government (June 2007).

Government in their reply stated (August 2007) that Rs.2.51 crore was estimated by the Department on the basis of the tenders received for computerisation of yellow cards and the amount was reduced after submission of the bills by the contractors which resulted in savings. From the reply, it was evident that the Department had no bills pending at the time of requisitioning of funds. Thus, unjustified release of funds by the Government facilitated their diversion.

### ***SOCIAL WELFARE DEPARTMENT***

#### **4.5.3 Irregular drawal of Government money**

**The Director of Scheduled Tribe Welfare drew funds from the treasury to avoid their lapsing at the end of the financial year and deposited Rs.12.81 crore in a bank in contravention of the prescribed rules and procedure.**

Rule 17 of the Manual of Contingent Expenditure prescribes that no money shall be drawn from the treasury unless it is required for immediate disbursement and that drawal of money to prevent lapse of budget grants is irregular. Article 76 of the Karnataka Financial Code (KFC) further prohibits a Government servant to open an account with a private bank in his official capacity for the deposit of Government money. The Director drew Rs.107.52 crore during the period 2004-07 from the treasury by debit to major head of account 2225-Welfare of Schedule Caste and Scheduled Tribes & Other Backward Classes and 4225-Capital Outlay on Welfare of Schedule Caste, Schedule Tribes & Other Backward Classes for implementation of various welfare schemes. An expenditure of Rs.74.64 crore was incurred and balance of Rs.32.88 crore was lying in cash book in the form of uncashed cheques (Rs.22.61 crore), bank balance (Rs.10.27 crore) and the cash balance (Rs.2,190) as at the end of 31 March 2007. The uncashed cheques included 26 cheques (Rs.17.95 crore) drawn in favour of the Director, 10 cheques in favour of other Government Departments/PSUs (Rs.3.71 crore) and 16 cheques in favour of contractors such as consultants, suppliers, etc., (Rs.0.95 crore). These cheques were charged off during the period April-November 2007.

Audit scrutiny (November 2006) of records of the Director, Scheduled Tribe Welfare for the period 2004-07 revealed the following:

- The Director opened (September 2006) a savings bank (SB) account in a nationalised bank as a sequel to repeated revalidation of the cheques/demand drafts at the Reserve Bank of India (RBI)/State Huzur Treasury and objections to such revalidations by the RBI. During the period September 2006 to March 2007, Rs.12.81 crore was deposited in the SB account in contravention of the KFC provisions and in violation of Government instructions issued in May 1997. The closing balance of Government money in the SB account was Rs.10.27 crore as at the end of March 2007.
- Following objections (November 2006) in local audit to the opening of the SB account, the Director transferred (June 2007) Rs.4.35 crore kept in SB account together with grants of Rs.9.57 crore to the Karnataka Residential Educational Institutes Society for execution of 17 works for which these grants were provided. An order was issued (May 2007) by Government to that effect without obtaining the concurrence of the Finance Department. The role of the Officers in drawing Government money in violation of financial rules and keeping it outside the Government account needs to be investigated expeditiously.

Government in their reply (October 2007) stated that the funds were drawn to avoid their lapsing as these were meant for the welfare of the scheduled caste and scheduled tribe community. The reply was not tenable as money was drawn and kept outside the Government account in violation of the financial rules besides exposing them to the risk of misuse.

## **4.6 GENERAL**

### **4.6.1 Follow-up on Audit Reports**

#### **4.6.1.1 Action taken notes**

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

The Audit Reports for the years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05 were presented to the State Legislature on 27 March 1997, 14 May 1998, 1 July 1999, 3 May 2000, 24 July 2001, 22 March 2002, 28 March 2003, 21 July 2004,

18 July 2005 and 28 March 2006 respectively. Twenty-five Departments as detailed in **Appendix-4.8** had not submitted ATNs for 53 paragraphs, even as of September 2007. These included the following important irregularities, which were featured in the Audit Reports 1999-2000 to 2004-05, the delay being over 14 to 70 months:

**Audit Report 1999-2000**

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

The State Government conducted the Fourth National Games during May-June 1997. Due to delay in providing budgetary support by it, major part of expenditure was met through overdrafts availed of from banks resulting in fruitless 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 2002-03**

**Paragraph No.4.1.8: Unauthorised works – Water Resources Department**

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

**Audit Report 2003-04**

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

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

**Audit Report 2004-05**

**Paragraph No.4.2.1: Wasteful expenditure on preparation of Master Plan**

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



#### 4.6.1.2 Paragraphs to be discussed by the Public Accounts Committee

Comments on Appropriation Accounts featured in Audit Reports for the years 1989-90 and onwards are pending discussion by the Public Accounts Committee. Details of paragraphs (excluding General and Statistical) pending discussion as of June 2007 are detailed in **Appendix-4.9**.

#### 4.6.2 Inspection Reports Outstanding

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

As of 30 September 2007, 1,514 IRs (6,142 paragraphs) were outstanding against Revenue, Home, Water Resources, Minor Irrigation and Public Works Departments. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix-4.10**.

A review of the IRs, which were pending due to non-receipt of replies, in respect of these five departments revealed that the Heads of Offices did not send even the initial replies in respect of 196 IRs containing 1,119 paragraphs, as detailed below:

Sl. No.	Department	Initial replies not received	
		Number of IRs	Number of paragraphs
1.	Revenue	89	197
2.	Home	32	128
3.	Water Resources	39	288
4.	Minor Irrigation	24	367
5.	Public Works	12	139
<b>Total</b>		<b>196</b>	<b>1,119</b>

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

#### 4.6.3 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

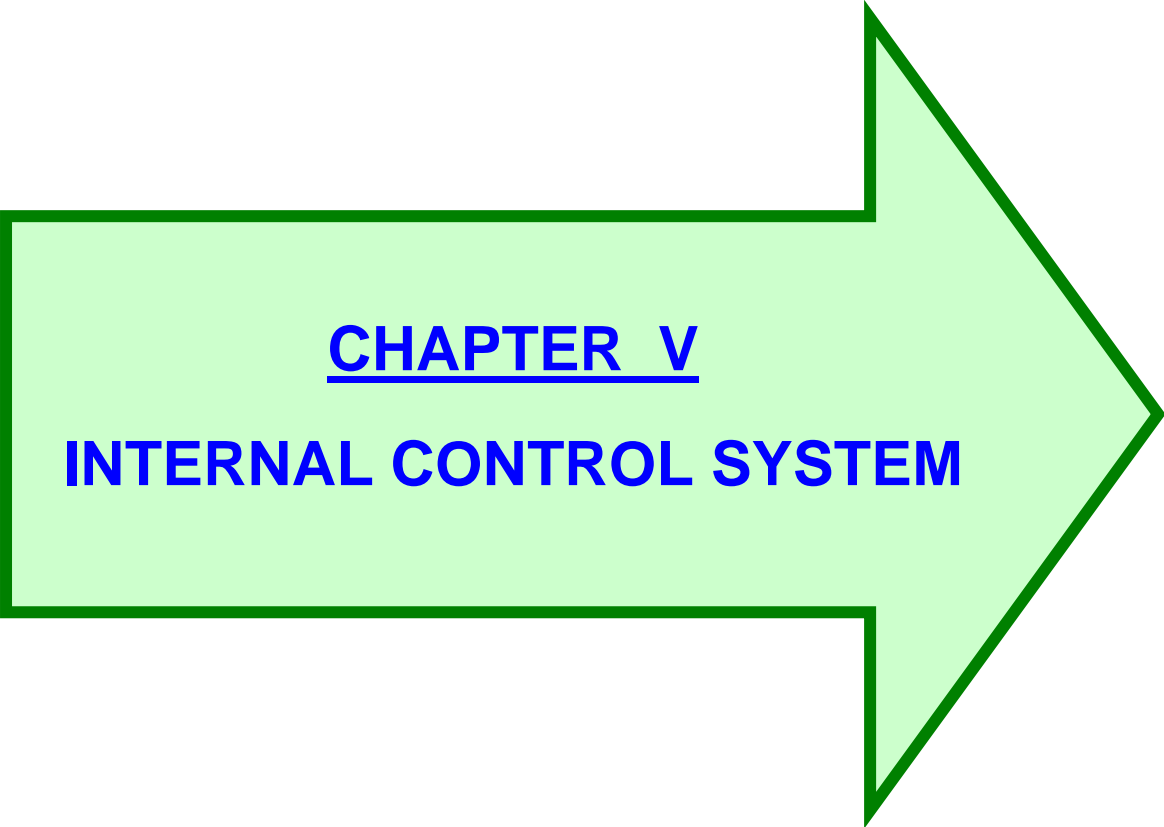
emphasised the importance of timely submission of accounts by the Departments. Nevertheless, the delays persist. The Departments from which the stores and stock accounts had not been received by Audit as of September 2007 are mentioned below:

Serial Number	Department	Year(s) for which accounts are due
1.	Agriculture - Director of Agriculture	2006-07
2.	Animal Husbandry & Veterinary Services - Commissioner of Animal Husbandry & Veterinary Services	2006-07
3.	Commerce and Industries - Director of Industries and Commerce	2006-07
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	2006-07 2006-07 2006-07 2005-06 & 2006-07
5.	Home - Inspector General of Prisons	2006-07
6.	Information and Tourism - Director of Information and Publicity	2006-07
7.	Revenue (Registration) - Inspector General of Registration and Commissioner of Stamps	2001-02 to 2006-07
8.	Public Works, Water Resources and Minor Irrigation	1998-99 to 2006-07*

\* Accounts due from:

- (a) One Division - for 18 half yearly periods (1998-99, 1999-2000, 2000-01, 2001-02, 2002- 03, 2003-04, 2004-05, 2005-06 and 2006-07)
- (b) One Division - for ten half yearly periods (2001-02, 2003-04, 2004-05, 2005-06 and 2006-07)
- (c) Two Divisions - for seven half yearly periods (October 2003 to March 2004, 2004-05, 2005-06 and 2006-07)
- (d) Three Divisions - for six half yearly periods (2004-05, 2005-06 and 2006-07)
- (e) Six Divisions - for five half yearly periods (October 2004 to March 2005, 2005-06 and 2006-07)
- (f) 16 Divisions - for four half yearly periods (2005-06 and 2006-07)
- (g) 22 Divisions - for three half yearly periods (October 2005 to March 2006 and 2006-07)
- (h) 20 Divisions - for two half yearly periods (2006-07)





**CHAPTER V**

**INTERNAL CONTROL SYSTEM**



## CHAPTER V

### INTERNAL CONTROL SYSTEM

#### EDUCATION DEPARTMENT

##### 5.1 Internal Control System in the Department of Printing, Stationery and Publications

###### Highlights

*The Printing, Stationery and Publications Department is responsible for printing all Government publications, purchasing and supply of writing stationery and printing of confidential publications of Government. Audit of the internal control system of the Department relating to printing and publication showed that the financial, operational, administrative and inventory controls were ineffective leading to defalcation, diversion of funds, large scale wastages and inordinate delay in meeting the targets.*

Due to lack of budgetary controls, Rs.4.12 crore were diverted from one minor head of account to another to incur expenditure on unauthorised works.

(Paragraph: 5.1.5.1)

The Department did not prepare *pro-forma* accounts to know the financial performance of its operations.

(Paragraph: 5.1.6.1)

Due to inadequate and ineffective financial controls, irregular discounts (Rs.1.74 crore) and waiver (Rs.7.63 crore) were allowed in violation of delegation of financial powers. Printing dues of Rs.5.74 crore were outstanding against Government departments and local bodies.

(Paragraphs: 5.1.6.3 and 5.1.6.4)

Due to lack of production and consumption controls there were instances of printing excess forms (cost: Rs.1.07 crore), reprinting of text-books and discarding excess printed material leading to large scale wastage of raw material and labour and issue of excess quantity of paper (cost: Rs.63.80 lakh).

(Paragraphs: 5.1.8.1, 5.1.8.2 and 5.1.9.1)

Two hundred thirty two reels of paper (including six reels of ballot paper) valued at Rs.71.63 lakh were issued to a private press as per oral instructions of the Director in violation of the rules.

(Paragraph: 5.1.12.2)

The costing of printing works undertaken for Government departments was not done to evaluate the cost effectiveness of the works.

(Paragraph: 5.1.10)

Monitoring of the working of presses was totally lacking. Internal audit arrangements were not in place.

(Paragraphs: 5.1.15 and 5.1.16)

### **5.1.1 Introduction**

Internal controls are an integral component of the management processes of an organisation which are established to provide reasonable assurance that the operations are carried out efficiently and effectively, financial reports and operational data are reliable and the applicable laws and regulations are complied with so as to achieve the objectives of the organisation. The Department of Printing, Stationery and Publications was established with the objective of executing and supervising printing and binding works, purchase of writing and stationery articles and their supply to the Government and its departments and undertaking Government Publications such as Karnataka Gazette, Acts, Rules, Reports, Departmental text books, *etc.*, for use of Government and its departments and also for sale to the public. The department undertakes these printing and publication works on a 'no profit-no loss' basis.

The working of the Printing, Stationery and Publications Department is governed by the Manual of Government Presses (Presses Manual), Printing Manual, Government Central Book Depot Manual (Book Manual) and Government Stationery Depot Manual (Stationery Manual) besides other general rules and codes such as Karnataka Financial Code (KFC), Karnataka Budget Manual, Manual of Contingent Expenditure, *etc.*

### **5.1.2 Organisational set-up**

The Secretary to Government of Karnataka, Education Department (Primary and Secondary Education) is the administrative head and the Director of Printing, Stationery and Publications is the functional head of the Department. The Director is assisted by two Joint Directors, one Senior Deputy Director, six Deputy Directors and 24 Assistant Directors. There were 11 Government presses<sup>1</sup> in the State. Three<sup>2</sup> Book Depots and three<sup>3</sup> Stationery Depots in the State each was headed either by a Joint Director or Deputy Director or Assistant Director.

### **5.1.3 Audit objectives**

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

- compliance with the Budget Manual, Manual of Contingent Expenditure and the Departmental Manuals;
- effectiveness of internal controls such as budgetary control, expenditure control, operational control, inventory control, *etc.*; and
- arrangements for monitoring and the internal audit in the Department.

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<sup>1</sup> 1. Central Press, Peenya, 2. Suburban Press, Kenchenahalli, 3. Government press, Technical Education Building, Bangalore, 4. Government press, Peenya shed, 5. Government District press, Tumkur, 6. Government District press, Shimoga, 7. Government District press, Mangalore, 8. Government District press, Kolar, 9. Government District press, Dharwad, 10. Government District press, Madikeri and 11. Government District press, Gulbarga.

<sup>2</sup> Government Book Depots at Bangalore, Dharwad and Gulbarga.

<sup>3</sup> Government Central Stationery depot, Bangalore, Government Stationery depot, Dharwad and Government Stationery depot, Gulbarga.

### 5.1.4 Scope and methodology of audit

The review of internal controls was conducted for the period 2002-07 through test-check of records (February-May 2007) relating to the printing and publication works of the Directorate, the Central Press-Peenya, the Suburban Press - Kenchenahalli-Bangalore, two district presses, viz., Madikeri and Tumkur and the Central Book Depot, Bangalore. The results of test-check were discussed with the Secretary during the exit conference held in August 2007 and the Secretary agreed to examine the audit observations and take necessary follow-up action.

### Audit findings

#### 5.1.5 Budgetary controls

**The Budget proposals were not realistic due to non-inclusion of ascertained liabilities**

Rule 108 of the Karnataka Budget Manual prescribed, *inter alia*, that the budget estimates prepared by the Head of the Department should be complete and accurate including provisions for meeting not only the expected liabilities of ensuing financial year but also the arrears of past years. Accordingly, the budget proposals for the years 2005-06 and 2006-07 were required to have included the pending bills amounting to Rs.6.87 crore and Rs.11.74 crore respectively. These were omitted to be included in the budget proposals of the respective year resulting in excess expenditure over budget provisions. The year-wise budget allotment and expenditure during the period 2002-07 were as follows:

(Rupees in crore)			
Year	Budget allotment	Expenditure	Excess (+)/ Savings (-)
2002-03	32.37	31.54	(-) 0.83
2003-04	32.05	31.54	(-) 0.51
2004-05	82.04 <sup>®</sup>	80.81 <sup>®</sup>	(-)1.23
2005-06	64.41	65.01	(+) 0.60
2006-07	69.59	77.62	(+) 8.03
<b>Total</b>	<b>280.46</b>	<b>286.52</b>	<b>(+) 6.06</b>

<sup>®</sup> The increase in allotment and expenditure during the years 2004-07 was due to entrustment of printing of textbooks for free supply to the students of I to X standard.

Non-inclusion of liabilities in the budget proposals in violation of the provisions in the budget manual rendered the proposals unrealistic. The Government stated (October 2007) that appropriate budgetary controls would be exercised in future.

##### 5.1.5.1 Diversion of funds

**Non-compliance with budgetary controls resulted in diversion of Rs.4.12 crore on unauthorised works**

Rules 269 to 273 of Karnataka Budget Manual prescribed that the heads of the Department have powers to re-appropriate up to Rs.two lakh between two detailed heads under the same minor head subject to the condition that such a sanction does not involve re-appropriation between plan and non-plan heads. Contrary to these provisions, the Director diverted (2003-04 and 2006-07) Rs.1.63 crore of plan grants allocated for inter-connectivity between presses, e-governance, attendance monitoring system, research and development activities to civil works (Rs.64.69 lakh), machinery and equipment (Rs.69.42 lakh) and materials (Rs.21.29 lakh) and supplies (Rs.7.80 lakh) without provision of funds in the budget.

Similarly, during 2006-07 as against the provision of Rs.52,000 under the sub head 'Transport Expenses', subordinate to the minor head 103-'Government Presses', the Department incurred an expenditure of Rs.1.39 crore by debiting the excess to another minor head 101-'Stationery Depots' where funds were available. This resulted in unauthorised diversion of funds (Rs.1.38 crore). The Director failed to comply with the budgetary controls by allowing such diversions.

An expenditure of Rs.2.01 crore (May 2000 to September 2006) was incurred on engagement of unskilled labourers on piecework basis against the budget provision of Rs.89.65 lakh during the period under the sub head 'office expenses/general expenses'. The excess expenditure (Rs.1.11 crore) was irregularly debited to the minor head 104-'cost of printing from other sources'.

### **5.1.6 Receipt and Expenditure controls**

There were deficiencies in the receipt and expenditure controls leading to non-recovery and irregular waiver of demands as well as avoidable and unjustified expenditure. *Pro-forma* accounts had also not been maintained as discussed below:

#### **5.1.6.1 Non-preparation of pro-forma accounts**

**The Director did not prepare *pro-forma* accounts to assess the financial performance of the Department**

The Department undertakes printing of regular Government works such as forms, cash books, notifications, *etc.*, required by all Government departments free of cost (non-chargeable works). In addition to this, printing and publication works relating to local bodies, autonomous bodies and several Government schemes are also taken up by the Department subject to recovery of the cost of such works (chargeable works). In either case, it is necessary to determine the actual cost of each job by reckoning all direct and indirect costs so as to finally determine as to whether the Department is working on a 'no profit-no loss' basis. For this purpose, the Director is required to prepare *pro-forma* accounts as prescribed in KFC and Appendix X of the Presses Manual. It was, however, observed that the *pro-forma* accounts were not prepared and as such the financial performance of the activities undertaken by the Department was not ascertainable. The Government stated (October 2007) that the matter was being examined.

#### **5.1.6.2 Irregular payment of overtime allowance**

**Overtime Allowance of Rs.64.61 lakh was irregularly paid to all the employees by a general order**

As per paragraph 13(9) of the Presses Manual, the maximum period for which the Director can sanction overtime allowance (OTA) to the industrial employees is only two months in a year. It was observed that the Director sanctioned OTA for all the 12 months of the year during the period 2002-05 to the industrial employees of District Press, Tumkur by a general order without the approval of the Government. Paragraphs 276 and 464 of the Presses Manual further provide that the Officer-in-charge during the overtime is responsible to see that time overworked is correctly recorded over his signature and that progress of each workman is recorded in the personal progress registers. But no such records were maintained to justify the overtime allowance. The amount of OTA irregularly paid (2002-05) was Rs.64.61 lakh. The Government stated (October 2007) that the matter was being verified.



### 5.1.6.3 Irregular discount/waiver of demands

**The Director irregularly waived Rs.7.63 crore and allowed a discount of Rs.1.74 crore**

According to the delegation of financial powers (2001), the Director had no power to discount or waive the demands outstanding for recovery. It was, however, observed that the Director allowed a discount of Rs.1.74 crore (December 2005) on the demand of Rs.10.26 crore against Government of India towards supply of 13.95 lakh copies of text-books for VI, VII and VIII Standards under Sarva Shiksha Abhiyan Project. The project authorities paid (March 2005) Rs.1.84 crore against the net demand of Rs.8.52 crore and the Director waived (December 2005) the balance of Rs.6.68 crore without justification and the approval of the Government. The total demand so waived by the Director during the period 2002-07 was Rs.7.63 crore which included the dues from other Government departments also. The Government stated (October 2007) that the matter was being verified.

### 5.1.6.4 Demands pending settlement

**Outstanding dues of Rs.5.74 crore were not effectively pursued for recovery**

The Central Press-Peenya had not maintained the department-wise and year-wise details of these demands in the DCB Registers and no subsidiary records were also maintained to pursue them effectively. Ineffective pursuance and non-maintenance of year-wise, department-wise details and subsidiary registers rendered the chances of recovery remote.

An amount of Rs.5.74 crore was outstanding towards cost of printing works against various Government departments and Local Bodies in three test-checked Government presses as at the end of March 2007. The pendency related to periods ranging from 0 to 15 years and more as detailed below:

(Rupees in lakh)

Period of pendency (in years)	District Press, Tumkur		District Press, Madikeri		Suburban Press		Grand Total	
	No. of items	Outstanding dues	No. of items	Outstanding dues	No. of items	Outstanding dues	No. of items	Outstanding dues
0-5	44	349.24	10	6.74	8	38.57	62	394.55
5-10	8	92.70	9	5.88	11	33.56	28	132.14
10-15	--	--	5	1.65	7	28.33	12	29.98
15 and above	--	--	--	--	10	17.55	10	17.55
<b>Total</b>	<b>52</b>	<b>441.94</b>	<b>24</b>	<b>14.27</b>	<b>36</b>	<b>118.01</b>	<b>112</b>	<b>574.22</b>

These dues were not pursued effectively for expeditious settlement as laid down in paragraph 38(12) of Presses Manual which provides that periodical reminders should be sent to paying departments for payment of pending dues expeditiously. The Government stated (October 2007) that measures had been initiated to recover the outstanding dues.

### 5.1.7 Operational controls

**The operational controls in the production of printed material were practically non-existent**

The major operations in the printing and publication works of the Department were purchase of raw material such as paper, ink, binding material, gum, etc., deployment of men and machinery for printing, inventory arrangements for raw material and printed matter and sale/issue of printed material (including billing and realisation of dues) after proper costing of each job.

During the period 2002-07, the Department printed text-books of standard I to X for free supply to students and extra ordinary gazettes in addition to the regular printing works of Government and its departments. The Department also out-sourced (2004-05) the work of printing 2.06 crore copies of text books of standard I to X meant for free supply during the academic year 2004-05 to a few presses in Kerala. Due to non-working of production controls, cost controls and inventory controls, cases of avoidable wastage of raw material, printing excess copies of text-books, non-delivery, etc., were noticed as detailed below:

### **5.1.8 Production controls**

Paragraph 447 of the Presses Manual requires preparation for each machine, Machine History Books recording the descriptive particulars, outturn, price, etc. The test-checked presses had not maintained these books as a result of which the performance of the installed machines and equipment and their downtime could not be checked in audit to assess the efficiency of the production operation.

#### **5.1.8.1 Excess printing of forms**

**Lax supervision during printing resulted in discarding 449 MT of printed material**

Paragraph 434 of Presses Manual provides that checks are to be exercised by the machine minders to ensure that the number of forms<sup>4</sup> printed on the machines exactly conforms to the number of text-books ordered and that there is no excess printing of forms. In test-checked presses 448.80 Metric Tonnes (MT) of forms were printed (2006-07) in excess of their actual requirement for 14 titles of text-books and later discarded resulting in wastage of paper worth Rs.1.07 crore. The wastage was due to unregulated supply of paper and lax supervisory controls in the production process.

#### **5.1.8.2 Rejection and reprinting of text-books**

**Lack of supervision in printing text-books resulted in discarding and subsequent reprinting of 63,491 text-books**

The Department printed 60,468 copies of III standard Urdu Environmental Science Text-books for the academic year 2006-07 by engaging piece work staff provided by two private agencies. The Department did not incorporate the terms and conditions in the agreement to enforce recovery of the cost of defective printing, if any, due to substandard work. The department also did not effectively supervise the printing work done by the piece work staff. The Karnataka Text-book Society for whom these text-books were printed rejected (September 2006) 46,300 copies of text-books as several mistakes were noticed including change in the colour of national flag. The Department could not recover the cost of defective text-books from the agencies and instead reprinted 63,491 copies of the text-books at their own cost. Expenditure incurred on this was not ascertainable as the Department did not carry out the costing of the text-books printed. The Government stated (October 2007) that corrective measures were being implemented.

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<sup>4</sup> Forms are A2 size printing papers which are folded to A4 size after printing the required matter and bound to a text book.

### 5.1.8.3 Inordinate delay in publication of weekly gazettes

There was delay of 18 to 77 days in the publication of weekly gazettes

As per paragraph 298 of the Presses Manual, the Karnataka Government Gazette was required to be published every Thursday in English and Kannada and for this purpose, the Director was to ensure that the notifications to be published in the Gazette should reach him by Wednesday of the week preceding the week of publication. The Director, however, did not fix the due dates for completion of each operation *viz.*, printing, gathering, binding and despatch of the material and prescribe watch registers at each stage to ensure their prompt publication. Consequently, delays ranging from 18 to 77 days occurred in the publication of gazettes and 45 notifications received during the period January-March 2007 were awaiting publication in the gazettes (31 March 2007).

The publication of notifications was not prioritised although many of these relating to land acquisition, tender, public service commission notifications were time specific having substantial financial/legal implications indicating lack of effective production controls in the Department. The Government stated (October 2007) that corrective measures were being taken to avoid delay.

### 5.1.8.4 Indiscriminate publication of extra-ordinary gazettes

9,174 extra-ordinary gazettes were published indiscriminately without observing the prescribed procedure

Paragraph 323 of the Presses Manual provides for printing extra-ordinary gazettes on occasions such as issuance of ordinances by the President of India/Governor of a State, proclamation of emergency, election notifications, *etc.*, subject to approval of the concerned Secretary to the State Government. Contrary to these stipulations, the Director on his own published 9,174 extra-ordinary gazettes during 2002-07 which was on an average 1,835 per year in contrast to 52 regular editions of ordinary gazettes per year. No control measures such as prescribing a checklist of conditions to be fulfilled for printing extra-ordinary gazettes were also in place. The Government stated (October 2007) that corrective measures were being taken to minimise the publication of extra-ordinary gazettes.

## 5.1.9 Controls over consumption of inputs

### 5.1.9.1 Excess issue of printing paper

Excess issue of paper for printing text-books resulted in wastage of 200 MT of paper costing Rs.63.80 lakh

The Presses Manual (Paragraph 450) provided that the presses are required to maintain an Issue Register for supplying raw material such as paper, ink, plates, *etc.*, in respect of each title of text book (docket-wise) so as to regulate the consumption of the raw material during production. It was noticed that the District Press-Tumkur printed 5.92 crore copies of text books during 2004-07 without maintaining docket-wise details of paper consumption. 14,130.41 MT of text-book paper and 1,181.78 MT of cover paper were debited in the stock register on an estimation basis for printing these text books. The requirement of paper as worked out in audit on test-check basis, for printing 81.11 lakh copies of 28 titles of these books alone worked out to 1,551 MT as against 1,751 MT of paper shown as issued in the stock register. This resulted in excess issue of 200 MT paper valued at Rs.63.80 lakh. This was indicative of non-compliance of controls over consumption of raw material/inputs on printing documents.

### 5.1.9.2 Excess printing of text books

Excess issue of paper resulted in printing extra 3.62 lakh copies of text-books

The Director supplied (April-December 2004) 10,815 MT of paper to the Kerala Presses without assessing the actual quantity of paper required to print 2.06 crore copies of text books although such quantification was required to be done as per paragraph 359 of the Presses Manual. No agreement was also executed with the Kerala Presses specifying submission of paper consumption account and return of unused paper. The number of text books printed by these presses was in excess by 3.62 lakh copies and no consumption account of the paper was furnished by the presses.

### 5.1.10 Costing of printed material/documents/text-books

In the absence of costing of both chargeable and non-chargeable works, financial performance of printing operations was not ascertainable

Paragraph 278 of the Presses Manual prescribed that the costing of both chargeable and non-chargeable works is done by the Presses on the basis of 'chargeable hours' spent on each work and material used thereon from the daily time summary sheets so as to know the financial performance of the printing operations undertaken. Review of records showed the following deficiencies in costing:

- Department conducted the valuation of only chargeable works (3,450 out of the total 14,973 works) during 2002-07 and the valuation of non-chargeable works was not conducted at all.
- 'Daily time sheets' which were required to be written up by each industrial employee and which are the basis to assess the work done by the Industrial Staff and for valuation of all works turned out in the Press, were not maintained although prescribed in paragraph 276 of the Presses Manual.
- The quantity and the quality of paper and the binding material issued to individual works in the test checked presses during the period 2002-07 were not recorded in the work dockets as prescribed in the Presses Manual so much so, the correctness of the utilisation of paper charged off in the stock register was not verifiable.
- The Department did not work out the 'analysis of press cost' and 'hourly rates' for the job turned out by each machine reckoning all items of expenditure of printing as prescribed in the Presses Manual. In the absence of the proper assessment of the cost of printing and publication works, selling prices commensurate with the fixation of cost could not be ensured.

The Government stated (October 2007) that the costing procedure could not be fully implemented due to shortage of staff.

### 5.1.11 Sale/distribution of Government Publications

Books worth Rs.28.65 lakh were held in stock for more than three years without giving publicity for their sale

The Central Book Depot (CBD), Kenchenahally, Bangalore was a Service Department working as an agent to the Printing Department in respect of text-books/Government Publications. The CBD stocks all Government publications and Educational text books and sells them to the public by retail sale either directly or through recognised book sellers or supplies them to other Government offices. It may also stock and sell publications of Government of India and other State Governments under reciprocal arrangements.

- The Department had not updated the catalogue of publications after January 2002, against provisions in the Book Manual to prepare a catalogue and publish in news paper once in a month.
- Nineteen titles worth Rs.28.65 lakh (1.61 lakh copies) were held in stock in the book depots without sale for more than three years as no action was taken to give wide publicity as required in the Book Manual.
- Scrutiny of records of 13 titles consisting of 17,900 copies of forms and books valued at Rs.5.40 lakh which were transferred (December 2004) from other depots were not accounted for.

The Government stated (October 2007) that corrective measures were being taken in the matter.

**5.12 lakh copies of text-books were lying undistributed for more than two years**

Five lakh and twelve thousand copies of text-books relating to the academic year 2004-05 were lying undistributed for more than two years in District Press, Tumkur resulting in wasteful expenditure on their printing. Failure of the Department to distribute these to the Education Department for supply during 2005-06 academic year was indicative of the laxity of administrative controls, which resulted in wasteful expenditure on printing these books.

### **5.1.12 Inventory controls**

Lack of inventory controls in the test-checked presses led to excess issue/non-accountal of printing paper, obsolete and deteriorating stocks of paper as detailed below:

#### **5.1.12.1 Excess issue of printing/ballot paper**

**624 reams of buff paper were issued to DCs in excess of the ordered quantity**

Paragraph 359 of the Presses Manual prescribe issue of stores material against receipt of valid indents endorsed by the competent authority. It was, however, observed that the Director issued (December 2004) 624 reams of buff paper to various Deputy Commissioners (DCs) in the State in excess of the actual quantity (822 reams) ordered by the State Election Commissioner. Another 99 reams of buff paper were issued to DCs of Kolar and Dakshina Kannada districts without any direction from the Election Commissioner. The prescribed procedure of necessary indents duly approved was not followed.

#### **5.1.12.2 Irregular issue/non-accounting of paper**

**232 reels of paper including six reels of ballot paper were issued to a private press**

Three hundred ninety three reels (valued at Rs.1.25 crore) and 8,087 reams (cost not available) of various quality paper were issued (2002-07) to different district presses as per the oral instructions of the Director. Out of this, 738 reams received back (April 2003) in District Press-Tumkur from Suburban Press-Kenchenahalli were not accounted for in the stock register. The Director did not ensure that the store transactions were posted in the receipt and issue registers as well as in the stores ledger as required under paras 359 and 360 of the Presses Manual. The District Press-Tumkur also issued (2002-07) 232 reels of paper (including six reels of cream wove ballot paper) valued at Rs.71.63 lakh to a private press based on the oral instructions of the Director in violation of the rules. The Government stated (October 2007) that the matter was being investigated.

Paper stock worth Rs.20.31 lakh was held in three Presses for 15 to 78 months without any use

### 5.1.12.3 *Obsolete/deteriorating stock of paper*

One thousand four hundred and five reams of printing paper of varying quality and size together with 2,514 kgs of Azorelidle quality paper and 58 reels of cream wove pink paper purchased during September 2000 to October 2005 at a cost of Rs.20.31 lakh were held in stock in two District Presses (Madikeri and Tumkur) and Suburban Press-Kenchenahalli for 15 to 78 months indicating procurement in excess of actual requirements. Non-disposal of accumulated paper stocks and their prolonged storage indicated lack of inventory controls. The Government stated (October 2007) that excess stock was being diverted to other presses where it could be effectively consumed.

### 5.1.12.4 *Absence of physical verification of paper stocks*

Paragraph 450 of the Presses Manual stipulates that the stock of paper in the paper room should be checked once in a month on the last working day by the stock verification officer or any gazetted officer authorized by the Director and submit the result to the Director. Monthly physical verification of paper stock was not conducted in any of the test-checked presses as prescribed in the Presses Manual nor the stock account of paper was closed daily.

### 5.1.12.5 *Non-accounting of printed material*

Paragraph 358 of the Presses Manual provided for accounting all printed material in the stock register of the Presses as well as the issues thereof. It was observed that the Director did not account for the receipt of 2.10 crore text books (free supply) from Kerala in the stock register nor maintained the details of their distribution to the concerned Deputy Director of Public Instruction (DDPI). The acknowledgement of the DDPIs were also not obtained by the Director. Consequently, the receipt and supply of these text books to students could not be verified in audit.

## 5.1.13 **Assets records**

Machinery and equipment worth Rs.4.11 crore was lying idle for one to nine years

The Directorate and the District Presses had not maintained the Asset Register showing the details of the properties owned. As a result, the Department was not aware of the actual assets, their safe custody and encroachment, if any.

Machinery and equipment valued at Rs.4.11 crore were lying idle for one to nine years for various reasons including repairs (**Appendix 5.1**) as at the end of March, 2007. The Department had not entered into an Annual Maintenance Contract for upkeep of machinery. The Government stated (October 2007) that the machinery would be repaired and put to use.

## 5.1.14 **Manpower controls**

There were 703 vacancies in the Department and no efforts were made to fill up these

There were 703 vacancies against the sanctioned 1,935 posts in 11 presses and the Department engaged 414 daily wage employees in these presses to work against some of these vacancies. However, the deployment of the daily wage staff was uneven as the Department engaged 376 workers at the three Government presses in Bangalore against 167 vacancies therein resulting in excess deployment of 209 persons. On the other hand, against 498 vacancies in the other eight Government presses, the Department deployed only 38 daily

wage staff indicating injudicious deployment of daily wage staff. The Government stated (October 2007) that action was being initiated to fill up the vacancies.

**The erstwhile Coorg Government Press at Madikeri with old printing machinery was non-functional and the manpower was idling**

The erstwhile Coorg Government Press at Madikeri was with no orders during the year 2006-07. There were 16 persons who worked on letter-press machines which had been rendered obsolete. The Department had neither modernised this press nor shifted the idle staff to other Presses where they could have been gainfully employed by imparting training in the operation of modern machinery. The inaction of the Department resulted in a nugatory expenditure of Rs.21.89 lakh on pay and allowances of the staff during 2006-07. The Government stated (October 2007) that action was being taken to make the press functional.

Nearly 50 *per cent* of the total posts sanctioned for costing section of the Government Central Press had remained vacant during the period 2002-07. As a result, important functions like preparation of *pro-forma* accounts, costing of non-chargeable works, closing of personal ledgers, analysis of press costs were neglected. The Government stated (October 2007) that proposals were being submitted by the Department to fill up the vacancies.

**The Director irregularly diverted the services of daily wage and piece work staff to other Departments**

The Director irregularly diverted (2002-07) the services of 28 daily wage and 34 piece work staff to other departments and Secretariat Offices and incurred an expenditure of Rs.51.52 lakh (towards wages of daily wage staff) without utilising their services for the jobs for which they were engaged. The necessary records in support of their deployment including the details of wages paid to the piece work staff during this period were also not available.

### **5.1.15 Monitoring**

**Monitoring of the working of presses was totally lacking in the Department**

The Director was responsible for ensuring that all the District presses under his charge were functioning efficiently by conducting regular periodical inspections and also by scrutinising the periodical progress reports/returns received from them. There were instances of inadequate inspections, non-submission and belated submission of returns by the subordinate officers as detailed below;

#### **5.1.15.1 Inadequate inspections**

During the review period no inspection of the presses was conducted by the Director except of the Branch Press-Dharwad as required under paragraph 31(vii) of the Presses Manual. Thus, compliance by the subordinate officers with the prescribed rules and procedures was not ensured by the Director.

#### **5.1.15.2 Delay/non-submission of returns/reports**

**Due to lack of monitoring there were cases of non-submission and delayed submission of periodical returns by the Branch Presses**

Paragraph 533 of the Presses Manual provides submission of certain periodical returns by the branch presses. The paper account of the District presses was to be submitted to the Director on a monthly basis by the 10<sup>th</sup> of the following month. However, these returns were not sent to the Head Office by the District Press, Tumkur. Reports relating to progress and production was to be submitted monthly by 5<sup>th</sup> of the following month. Delays ranging from 10 days to 163 days were noticed every month in the submission of these reports by District Press, Tumkur.

List of pending works at the District Presses were to be submitted to the Directorate before 5<sup>th</sup> of every month. Neither the District presses had forwarded such returns nor did the Directorate insist upon submission of these returns during the period covered under review.

#### **5.1.15.3 Non-monitoring/scrutinising returns at the Directorate**

The Directorate had not maintained a control record to watch the date of receipt of returns from the concerned district presses. In the absence of these records, the Directorate had no mechanism to watch the delay and number of reports which were due. The returns so received by the District presses were also not scrutinised by the Directorate to assess the performance of the District Branch presses and take remedial action.

#### **5.1.15.4 Updation of Departmental Manuals**

The Departmental Manuals were not revised since December, 1971 though modern and specialised machinery was introduced in several presses. The letter-press technology was substituted by offset, web offset and digital technology in view of which the existing posts of compositors, machine minders, binders, *etc.*, were obsolete and new posts such as DTP operators, offset printers with the latest technical know-how were to be created. The procedure and the provisions for various operations including costing were required to be revised in the light of introduction of the latest technology. The procedure and provisions contained in these manuals were found to be obsolete. The Government stated (October 2007) that effective monitoring methods were being formulated for implementation.

**The Departmental Manuals were not updated since 1971**

#### **5.1.16 Internal Audit**

Internal audit is an independent appraisal of operations to assess the internal financial, administrative and operational controls and help in implementation of adopted policies. In addition to the provisions of paragraphs 282 to 286 of the Presses Manual to have an Internal Audit Wing, the Finance Department also 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 Department. The Government stated (October 2007) that a proposal had been received from the Department in this regard.

**The Internal audit wing was yet to be established despite deficiencies in the financial and operational controls**

#### **5.1.17 Conclusion**

Due to lack of budgetary controls, funds were diverted from one minor head of account to another to incur expenditure on unauthorised works. The Department did not prepare *pro-forma* accounts to know the financial performance of its operations. Inadequate and ineffective financial controls resulted in non-recovery of dues and grant of irregular discounts. Due to lack of production controls, there were instances of printing excess forms, issue of excess quantity of paper, reprinting of text books and discarding excess printed material leading to large scale wastage of raw material and labour. The costing of printing works undertaken for Government departments was not done to evaluate the cost effectiveness of the works. The manpower and



monitoring controls and internal audit arrangements were also wanting in the Department.

### **5.1.18 Recommendations**

- Preparation of cost sheets of all chargeable and non-chargeable works and preparation of *pro-forma* accounts should be ensured to assess the financial results of the working of the Government presses.
- Maintenance of basic records relating to printing and publishing operations should be ensured as per the departmental Manuals.
- Expeditious action should be taken to assess *de novo*, the manpower requirement in all the Government presses in the light of induction of sophisticated machinery. Industrial staff in the presses should be trained in the latest printing technology and the deployment of daily wage staff also rationalised.
- The Internal Audit wing should be set up immediately and departmental Manual updated.

The replies furnished (October 2007) by the Government are incorporated at appropriate places.

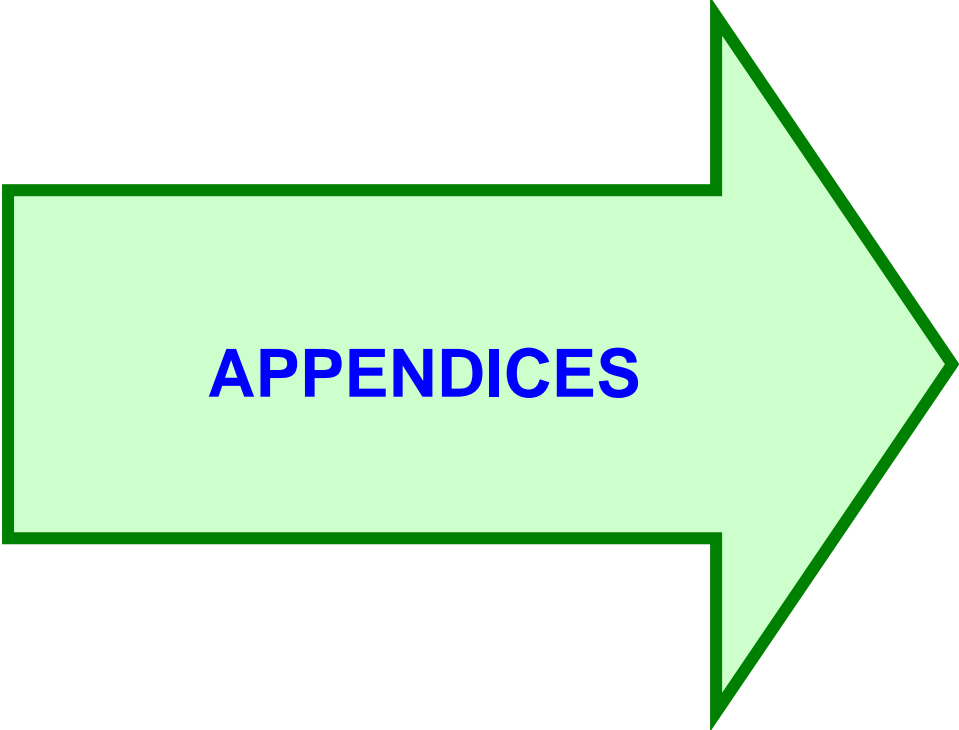
**BANGALORE  
THE**

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

**COUNTERSIGNED**

**NEW DELHI  
THE**

**(VINOD RAI)  
Comptroller and Auditor General of India**



**APPENDICES**



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## Appendix 1.1

### Part A : Structure and form of Government Accounts

(Reference: Paragraph 1.1, Page 3)

**I. Structure:** The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

#### Part I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans etc).

#### Part II : Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature during the year was Rs.80 crore.

#### Part III : Public Account:

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State legislature.

#### II. Form of Annual Accounts:

The accounts of the State Government are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, present the details of expenditure by the State Government vis-à-vis the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

## Part B: Layout of Finance Accounts

(Reference: Paragraph 1.1, Page 3)

### *Box 1*

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 2006-07

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 2007

Statement No.9 shows the revenue and expenditure under different heads for the year 2006-07 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 2006-07

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 2006-07

Statement No.15 depicts the capital and other expenditure (other than on revenue account) to the end of 2006-07 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 2007 and the amount of interest received during the year.

Statement No.19 gives the details of earmarked balances

**Part C: List of terms used in the Chapter-I and basis for their calculation**

(Reference: Paragraph 1.2, Page 5)

<b>Terms</b>	<b>Basis for calculation</b>
Buoyancy of a parameter	<u>Rate of Growth of the parameter</u> GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	<u>Rate of Growth of parameter (X)</u> Rate of Growth of parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount} / \text{Previous year Amount}) - 1] * 100$
Development Expenditure	Social Services + Economic Services
Average interest paid by the State	Interest Payment / $[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities}) / 2] * 100$
Interest spread	GSDP growth - Weighted Interest rates
Quantum Spread	Debt stock * interest spread
Interest received as <i>per cent</i> to Loans Outstanding	Interest Received $[(\text{Opening balance} + \text{Closing balance of Loans and Advances}) / 2] * 100$
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts <b>minus</b> all Plan grants and Non-plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction or Avoidance of debt

**Appendix 1.2**

**Summarised Financial Position of the Government of Karnataka  
as on 31 March 2007**

(Reference: Paragraph 1.2, Page 5)

(Rupees in Crore)

As on 31.3.2006	<i>Liabilities</i>		As on 31.3.2007
<b>30,766.71</b>		<b>Internal Debt *</b>	<b>32,645.86</b>
	11,933.46	Market Loans bearing interest	11,700.41
	1.54	Market Loans not bearing interest	2.05
	712.94	Loans from Life Insurance Corporation of India	678.27
	1,291.61	Loans from other Institutions	959.87
	16,827.16	Loans from RBI – Spl. Securities issued to National Small Savings fund of the Central Government.	19,305.26
<b>9,282.22</b>		<b>Loans and Advances from Central Government -</b>	<b>9,199.64</b>
	0.07	Pre 1984-85 Loans	0.07
	118.41	Non-Plan Loans	112.36
	8,960.12	Loans for State Plan Schemes	8,886.85
	40.23	Loans for Central Plan Schemes	36.53
	163.39	Loans for Centrally Sponsored Plan Schemes	163.83
<b>80.00</b>		<b>Contingency Fund</b>	<b>66.72</b>
<b>7,125.55</b>		<b>Small Savings, Provident Funds, etc.</b>	<b>7,784.93</b>
<b>2,941.83</b>		<b>Reserve Funds</b>	<b>4,130.07</b>
<b>2,464.73</b>		<b>Deposits</b>	<b>4,264.87</b>
<b>1,468.46</b>		<b>Suspense and Miscellaneous balances</b>	<b>1,658.30</b>
<b>4.15</b>		<b>Remittances</b>	<b>517.65</b>
<b>54,133.65</b>		<b>Total</b>	<b>60,268.04</b>
	<i>Assets</i>		
<b>35,961.47<sup>◇</sup></b>		<b>Gross Capital Outlay on Fixed Assets -</b>	<b>44,504.05</b>
	14,051.17	Investments in shares of Companies, Corporations, etc.	18,697.01
	21,910.30	Other Capital Outlay	25,807.04
<b>5,943.57</b>		<b>Loans and Advances -</b>	<b>6,240.82</b>
	1,248.70	Loans for Power Projects	1,246.84
	4,644.09	Other Development Loans	4,986.02
	50.78	Loans to Government servants and Miscellaneous Loans	7.96
<b>20.43</b>		<b>Other Advances</b>	<b>15.45</b>
<b>4,606.64</b>		<b>Cash -</b>	<b>6,104.77</b>
	1.18	Cash in treasuries	---
	5.16	Departmental Cash Balance including permanent Advances	5.92
	50.90	Deposits with Reserve Bank of India	231.87
	0.08	Remittances in Transit	0.01
	4,204.34	Cash Balance Investments	5,523.77
	344.98	Investment from earmarked funds	343.20
<b>7,601.54<sup>◇</sup></b>		<b>Deficit on Government Accounts</b>	<b>3,402.95</b>
	9,986.67 <sup>◇</sup>	Accumulated Deficit	7,601.54
	2,311.16	Deduct Revenue Surplus	4,151.51
	73.97	Deduct Other adjustments	47.08
<b>54,133.65</b>		<b>Total</b>	<b>60,268.04</b>

◇ Please refer explanatory note No.5 below Appendix 1.4.

\* The liabilities shown above do not include off budget borrowings.

**Appendix 1.3**  
**Abstract of Receipts and Disbursements**  
**(Reference: Paragraph 1.2, Page 5)**

(Rupees in crore)

2005-06	Receipts		2006-07	2005-06	Disbursements			2006-07
					Non Plan	Plan	Total	
<b>Section-A: Revenue</b>								
<b>30352.05</b>	<b>I. Revenue receipts</b>		<b>37,586.94<sup>®</sup></b>	<b>28,040.89</b>	<b>I. Revenue expenditure</b>	<b>25,582.89</b>	<b>7,852.54</b>	<b>33,435.43<sup>™</sup></b>
18631.55	Tax revenue	23,301.03		<b>10,035.82</b>	<b>General Services</b>	<b>10,343.20</b>	<b>76.22</b>	<b>10,419.42</b>
3874.71	Non-tax revenue	4,098.41			<b>Social Services-</b>			
4213.42	State's share of Union Taxes & Duties	5,374.33		4,837.40	Education, Sports, Art and Culture	4,363.17	1,340.04	5,703.21
1735.74	Non Plan grants	2,224.37		1,138.50	Health and Family Welfare	795.46	411.20	1,206.66
915.28	Grants for State Plan Schemes	1,284.30		911.77	Water Supply, Sanitation, Housing and Urban Development	72.00	1,133.44	1,205.44
981.35	Grants for Central & Centrally Sponsored Schemes	1,304.50		19.46	Information and Broadcasting	23.90	3.29	27.19
				675.54	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	306.16	619.55	925.71
				66.70	Labour and Labour Welfare	48.61	46.74	95.35
				1,102.31	Social Welfare and Nutrition	1,055.97	628.90	1,684.87
				147.11	Others	63.28	25.00	88.28
				<b>8,898.79</b>	<b>TOTAL</b>	<b>6,728.55</b>	<b>4,208.16</b>	<b>10,936.71</b>
					<b>Economic Services</b>			
				2,866.65	Agriculture and Allied Activities	2,203.04	937.80	3,140.84
				776.00	Rural Development	314.92	591.87	906.79
				171.45	Special Areas Programmes	303.39	45.13	348.52
				215.81	Irrigation and Flood Control	197.21	97.21	294.42
				1,836.93	Energy	2,371.42	30.59	2,402.01
				357.69	Industry and Minerals	170.86	195.00	365.86
				756.10	Transport	982.39	581.59	1,563.98
				15.78	Science, Technology and Environment	0.01	16.32	16.33
				950.91	General Economic Services	358.34	1,043.15	1,401.49
				<b>7,947.32</b>	<b>Total</b>	<b>6,901.58</b>	<b>3,538.66</b>	<b>10,440.24</b>
				1,158.96	Grants-in-aid and Contributions	1,609.56	29.50	1,639.06
				<b>2,311.16</b>	<b>II Revenue surplus carried over to Sec-B</b>			4,151.51
<b>30,352.05</b>	<b>TOTAL</b>		<b>37,586.94</b>	<b>30,352.05</b>	<b>TOTAL</b>			<b>37,586.94</b>



2005-06	Receipts		2006-07	2005-06	Disbursements			2006-07	
						Non Plan	Plan		Total
<b>Section-B – Capital and others</b>									
2,079.11	II. Opening Cash balance including Permanent Advances & Cash Balance Investments & investments from earmarked funds.		4,606.64						
---	III. Miscellaneous Capital receipts		---	5821.93	III. Capital Outlay	131.79	8,410.78		8,542.57 <sup>8</sup>
			217.92	General Services		320.94	320.94		
				Social Services					
			52.67	Education, Sports, Art and Culture		0.79	54.19	54.98	
			7.69	Health and Family Welfare			142.95	142.95	
				969.78	Water Supply, Sanitation, Housing and Urban Development		925.48	925.48	
				1.80	Information and Broadcasting		2.00	2.00	
				66.37	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes		164.40	164.40	
				3.57	Social Welfare and Nutrition		2.74	2.74	
				3.42	Other Social Services		0.07	0.07	
				1105.30	<b>Total</b>	<b>0.79</b>	<b>1,291.83</b>	<b>1,292.62</b>	
					<b>Economic Services</b>				
				17.17	Agriculture and Allied Activities	-1.25 <sup>♦</sup>	34.40	33.15	
				0.96	Rural Development	1.11	175.23	176.34	
				3329.69	Irrigation and Flood Control	3.55	4,112.19	4,115.74	
				50.00	Energy	130.47	300.00	430.47	
				12.10	Industry and Minerals	-2.41 <sup>♦</sup>	66.13	63.72	
				1030.45	Transport		1,823.50	1,823.50	
				58.34	General Economic Services	-0.47 <sup>♦</sup>	286.56	286.09	
				4498.71	<b>TOTAL</b>	<b>131.00</b>	<b>6,798.01</b>	<b>6,929.01</b>	
123.55	IV. Recoveries of Loans and Advances		59.97	299.60	IV. Loans and Advances	51.12	306.11	357.23	357.23
6.36	From Power Projects	1.86		18.13	For Power Projects	--	--	--	
6.22	From Government Servants	6.48		2.30	To Government Servants	1.85	0.04	1.89	
110.97	From others	51.63		279.17	To Others	49.27	306.07	355.34	
5,663.55	V. Public debt receipts		3,545.94	810.86	V. Repayment of Public Debt	1,749.37		1,749.37	1,749.37
4,994.89	Internal debt other than Ways and Means Advances & Overdraft	2,891.48		393.36	Internal debt other than Ways and Means Advances & Overdraft	1,012.34		1,012.34	
668.66	Loans and Advances from the Central Government	654.46		417.50	Repayment of Loans and Advances to Central Government	737.03		737.03	
38.91	VI. Contingency Fund (recoupment)		---	---	VI. Contingency Fund				13.28

2005-06	Receipts		2006-07	2005-06	Disbursements			2006-07
<b>38,025.00</b>	<b>VII. Public Account Receipts</b>		<b>47,040.04</b>	<b>36,702.25</b>	<b>VII. Public Account Disbursements</b>			<b>42,636.88</b>
1,650.55	Small Savings and Provident funds, etc.	1,748.07		994.68	Small Savings and Provident Funds etc.		1,088.70	
1,288.36	Reserve funds	1,656.35		815.07	Reserve Funds		468.10	
15,926.09	Deposits and Advances	19,072.96		16,294.49	Deposits and Advances		17,267.84	
16,393.36	Suspense and Miscellaneous	20,772.01		15,871.03	Suspense and Miscellaneous		20,535.09	
2,766.64	Remittances	3,790.65		2,726.98	Remittances		3,277.15	
<b>2,311.16</b>	<b>VIII. Revenue Surplus carried over from Sec. -A.</b>		<b>4,151.51</b>	<b>4,606.64</b>	<b>VIII. Cash Balance at end</b>			<b>6,104.77</b>
				1.26	Cash in Treasuries and Local Remittances		0.01	
				50.90	Deposits with Reserve Bank		231.87	
				5.16	Departmental Cash Balance including Permanent Advances		5.92	
				4,204.34	Cash Balance Investment		5,523.77	
				344.98	Investment from earmarked funds		343.20	
<b>48,241.28</b>	<b>Total</b>		<b>59,404.10</b>	<b>48,241.28</b>	<b>Total</b>			<b>59,404.10</b>

**Note :** ♦ Represents Receipts and Recoveries on Capital Account during 2006-07.

® The Revenue Receipts during the year included Rs.299.36 crore transferred from Public Account representing the outstanding credit balance as on 31.03.2006 under Deposits of local funds –Panchayat bodies funds and Rs.13.76 crore being the grants received from Government of India in earlier years and held under suspense head of accounts. The receipts also include Rs.363.16 crore representing debt waiver/debt relief of Government of India loans pertaining to earlier years.

∞ The expenditure includes Rs.10.96 crore being the amount of interest on debt swap scheme of 2002-05 being kept under suspense in earlier years and Rs.0.14 crore representing the expenditure relating to 2005-06 in respect of Tungabhadra board which had remained under suspense head.

⌘ Includes Rs.2,095 crore being the amount discharged under off-budget borrowings.

**Appendix 1.4**  
**Sources and Applications of Funds**  
**(Reference: Paragraph 1.2, Page 5)**

(Rupees in crore)

<b>Sources</b>				
<b>2005-06</b>			<b>2006-07</b>	
<b>30,352.05</b>		<b>1. Revenue receipts</b>		<b>37,586.94</b>
<b>123.55</b>		<b>2. Recoveries of Loans and Advances</b>		<b>59.97</b>
<b>4,852.69</b>		<b>3. Increase in Public debt</b>		<b>1,796.57</b>
<b>1,322.75</b>		<b>4. Net receipts from Public account</b>		<b>4,403.16</b>
	655.87	Increase in Small Savings, PF, etc	659.37	
	(-)368.40	Net effect of Deposits and Advances	1,805.12	
	473.29	Increase in Reserve funds	1,188.25	
	522.33	Net effect of Suspense and Miscellaneous transactions	236.92	
	39.66	Net effect of Remittance transaction	513.50	
<b>38.91</b>		<b>5. Net effect of Contingency Fund Transaction</b>		---
<b>36,689.95</b>		<b>Total</b>		<b>43,846.64</b>
<b>Applications</b>				
<b>28,040.89</b>		<b>1. Revenue expenditure</b>		<b>33,435.43</b>
<b>299.60</b>		<b>2. Lending for development and other purposes</b>		<b>357.23</b>
<b>5,821.93</b>		<b>3. Capital expenditure (Net)</b>		<b>8,542.57</b>
<b>2,527.53</b>		<b>4. Increase in cash Balance</b>		<b>1,498.13</b>
		<b>5. Net effect of Contingency Fund Transaction</b>		<b>13.28</b>
<b>36,689.95</b>		<b>Total</b>		<b>43,846.64</b>

**Explanatory Notes for Appendix 1.2, 1.3 and 1.4**

1. The abridged accounts in the foregoing appendices have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in appendix 1.2, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and others pending settlement, etc.
4. There was a difference of Rs.116.43 crore (credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". A net difference of Rs.94.37 crore (credit) had since been reconciled and adjusted. The remaining difference of Rs.22.06 crore (credit) is under reconciliation.
5. Increased proforma by Rs.1.64 crore representing the debit on 'Capital outlay on Public Works' transferred by the State Government of Maharashtra consequent upon the allocation of expenditure between the States of Maharashtra, Karnataka and Gujarat due to reorganization of the States in 1956.

**Appendix 1.5**  
**Time Series Data on State Government Finances**  
**(Reference: Paragraph 1.2, Page 5)**

(Rupees in crore)

	2001-2002	2002-03	2003-04	2004-05	2005-06	2006-07
<b>PART A. RECEIPTS</b>						
<b>1. Revenue Receipts</b>	<b>15,321</b>	<b>16,169</b>	<b>20,760</b>	<b>26,570</b>	<b>30,352</b>	<b>37,587</b>
<b>(i) Tax Revenue</b>	<b>9,853 (64)</b>	<b>10,440(65)</b>	<b>12,570 (61)</b>	<b>16,072(60)</b>	<b>18,632(61)</b>	<b>23,301 (62)</b>
Taxes on Agricultural Income	3 (-)	1 (-)	1 (-)	2	2	1(-)
Taxes on Sales, Trade, etc.	5,269 (53)	5,474 (52)	6,649 (53)	8,700(54)	9,870(53)	11,762(50)
State Excise	1,977 (20)	2,094 (20)	2,334 (19)	2,806(17)	3,397(18)	4,495(19)
Taxes on vehicles	712 (7)	676 (6)	800 (6)	983(6)	1,105(6)	1,374(6)
Stamps and Registration fees	855 (9)	1,115 (11)	1,356 (11)	1,760(11)	2,213(12)	3,206(14)
Land Revenue	50 (1)	60 (1)	68 (-)	118(1)	117(1)	109(-)
Other Taxes	987 (10)	1,020 (10)	1,362 (11)	1,703(11)	1,928(10)	2,354(11)
<b>(ii) Non Tax Revenue</b>	<b>1,094 (7)</b>	<b>1,278 (8)</b>	<b>2,958 (14)</b>	<b>4,473(17)</b>	<b>3,875(13)</b>	<b>4,099(11)</b>
<b>(iii) State's share in Union taxes and duties</b>	<b>2,623 (17)</b>	<b>2,786 (17)</b>	<b>3,245 (15)</b>	<b>3,878(15)</b>	<b>4,213(14)</b>	<b>5,374(14)</b>
<b>(iv) Grants in aid from Government of India</b>	<b>1,751 (12)</b>	<b>1,665 (10)</b>	<b>1,987 (10)</b>	<b>2,147(8)</b>	<b>3,632(12)</b>	<b>4,813(13)</b>
<b>2. Miscellaneous Capital Receipts (non debt)</b>	Nil	Nil	Nil	Nil	Nil	Nil(-)
<b>3. Total revenue &amp; Non debt capital receipts (1+2)</b>	<b>15,321</b>	<b>16,169</b>	<b>20,760</b>	<b>26,570</b>	<b>30,352</b>	<b>37,587</b>
<b>4. Recoveries of Loans and Advances</b>	35	928	64	47	124	60
<b>5. Public Debt Receipts</b>	<b>5,146</b>	<b>5,433</b>	<b>7,988</b>	<b>8,509</b>	<b>5,664</b>	<b>3,546</b>
Internal Debt (excluding Ways & Means Advances and Overdrafts)	2,969 (58)	3,889 (72)	6,531 (82)	6,953(82)	4,995(88)	2,892(82)
Loans & Advances from Government of India *	2,177 (42)	1,544 (28)	1,457 (18)	1,556(18)	669(12)	654(18)
<b>6. Total receipts in the Consolidated Fund (3+4+5)</b>	<b>20,502</b>	<b>22,530</b>	<b>28,812</b>	<b>35,126</b>	<b>36,140</b>	<b>41,193</b>
<b>7. Contingency Fund Receipts</b>	54	8	--	41	39	-
<b>8. Public Account Receipts</b>	28,502	27,879	30,513	36,325	38,025	47,040
<b>9. Total receipts of the State (6+7+8)</b>	<b>49,058</b>	<b>50,417</b>	<b>59,325</b>	<b>71,492</b>	<b>74,204</b>	<b>88,233</b>
<b>PART B. EXPENDITURE/DISBURSEMENT</b>						
<b>10. Revenue expenditure</b>	<b>18,605</b>	<b>18,815</b>	<b>21,285</b>	<b>24,932</b>	<b>28,041</b>	<b>33,435</b>
Plan	3,943 (21)	3,245 (17)	3,553 (17)	5,125(21)	5,069(18)	7,852(23)
Non Plan	14,662 (79)	15,570 (83)	17,732 (83)	19,807(79)	22,972(82)	25,583(77)
General Services (incl. Interest Payments)	6,215 (33)	7,112 (38)	9,039 (42)	9,900(40)	10,036(36)	10,419(31)
Social Services	6,429 (35)	6,326 (34)	6,965 (33)	7,723(31)	8,899(32)	10,937(33)
Economic Services	5,397 (29)	4,803 (25)	4,652 (22)	6,511(26)	7,947(28)	10,440(31)
Grants in aid and Contributions	564 (3)	574 (3)	629 (3)	798(3)	1,159(4)	1,639(5)
<b>11. Capital Expenditure</b>	<b>2,106</b>	<b>2,936</b>	<b>3,029</b>	<b>4,674</b>	<b>5,822</b>	<b>8,543</b>
Plan	1,899 (90)	2,734 (93)	2,930 (97)	4,586(98)	5,806(100)	8,411(98)
Non Plan	207 (10)	202 (7)	99 (3)	88(2)	16	132(2)
General Services	52 (2)	76 (3)	128 (4)	136(3)	218(4)	321(4)
Social Services	212 (10)	295 (10)	427 (14)	486(10)	1,105(19)	1,293(15)
Economic Services	1,842 (88)	2,565 (87)	2,474 (82)	4,052(87)	4,499(77)	6,929(81)
<b>12. Disbursement of Loans and Advances</b>	<b>514</b>	<b>628</b>	<b>1,011</b>	<b>611</b>	<b>300</b>	<b>357</b>
<b>13. Total (10+11+12)</b>	<b>21,225</b>	<b>22,379</b>	<b>25,325</b>	<b>30,217</b>	<b>34,163</b>	<b>42,335</b>
<b>14. Repayments of Public Debt</b>	<b>712</b>	<b>1,696</b>	<b>3,441</b>	<b>4,029</b>	<b>811</b>	<b>1,749</b>
Internal Debt (excluding Ways & Means Advances and Overdrafts)	231 (32)	287 (17)	780 (23)	622(15)	393	1,012

	2001-2002	2002-03	2003-04	2004-05	2005-06	2006-07
Net transactions under Ways & Means Advances and Overdraft	--	--	--	--	-	-
Loans and Advances from Government of India *	481 (68)	1,409 (83)	2,661 (77)	3,407(85)	418	737
<b>15. Appropriation to Contingency Fund</b>	--	--	--	--	-	-
<b>16. Total disbursement out of Consolidated Fund (13+14+15)</b>	21,937	24,075	28,766	34,246	34,974	44,084
<b>17. Contingency Fund disbursements</b>	8	--	41	39	--	13
<b>18. Public Account disbursements</b>	27,107	26,825	30,665	35,463	36,702	42,637
<b>19. Total disbursement by the State (16+17+18)</b>	49,052	50,900	59,472	69,748	71,676	86,734
<b>PART C. DEFICIT/SURPLUS</b>						
<b>20. Revenue Deficit (10-1)</b>	3,284	2,646	525	--	---	---
<b>Revenue Surplus (1-10)</b>	--	--	--	1,638	2,311	4,152
<b>21. Fiscal Deficit (3+4-13)</b>	5,869	5,282	4,501	3,600	3,687	4,688
<b>22. Primary Deficit (21-23)</b>	3,186	1,990	791	---	---	452
<b>Primary Surplus (23-21)</b>	---	---	---	194	78	---
<b>PART D. OTHER DATA</b>						
<b>23. Interest Payments (included in revenue expenditure)</b>	2,683	3,292	3,710	3,794	3,765	4,236
<b>24. Arrears of Revenue (Percentage of Tax &amp; Non-Tax Revenue Receipts)</b>	2,634 (24)	3,390 (29)	3,104 (20)	3,604 (18)	3,620 (16)	5,026 (18)
<b>25. Financial Assistance to local bodies, etc.</b>	7,429	7,675	7,780	8,306	11,183	13,862
<b>26. Ways and Means Advances/Overdraft availed (days)</b>	40	171	196	61	--	---
<b>27. Interest on WMA/Overdraft</b>	0.91	5.23	8.85	1.20	-	---
<b>28. Gross State Domestic Product (GSDP)</b>	1,07,933	1,17,492	1,28,556	1,48,541	1,70,741⊕	1,94,009 ♣
<b>29. Outstanding Debt (year end)</b>	32,566	37,234	41,967	46,940	52,236	57,682
<b>30. Outstanding Guarantees (year end)</b>	12,279	13,314	14,179	11,574	8,984	9,879
<b>31. Maximum amount Guaranteed (year end)</b>	20,823	20,973	21,225	19,910	20,107	19,793
<b>32. Number of incomplete projects (as per material in Finance Accounts)</b>	103	35	70	238	120	261
<b>33. Capital blocked in incomplete projects</b>	4,814	6,141	8,813	9,496	3,450	1,174

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

\* - Excludes Ways and Means Advances from Government of India

⊕ - Quick estimates

♣ -Anticipated estimates

**Appendix 1.6**  
**Outcome indicators of the State's own Fiscal Correction Path**  
**(Source : Finance Department)**

**(Reference: Paragraph 1.2.3, page; 5)**

	Base Year Accounts 2003-04	2004-05 BE	2005-06 BE	2006-07 Projection	2007-08 Projection	2008-09 Projection
<b>A. STATE REVENUE ACCOUNT:</b>						
1. Own Tax Revenue	12570	14958	18680	20865	23417	26488
2. Own Non- Tax Revenue	2958	4486	4090	4516	5009	5491
3. Own Tax + Non-tax Revenue (1+2)	15528	19444	22770	25381	28426	31979
4. Share in Central Taxes & Duties	3245	3760	3760	4136	4550	5005
5. Grants	1987	2306	2688	2954	3306	3530
6. Total Central Transfer (4 + 5)	5232	6066	6448	7090	7856	8535
7. Total Revenue Receipts (3+6)	20760	25510	29218	32471	36282	40514
8. Devolution to ULBs	629	799	1160	1428	1743	2130
9. Major O&M (Roads, bridges and Irrigation)	251	401	513	970	1021	1078
10. Salaries	5523	5751	6169	6539	6907	8740
11. Pensions	1901	2214	2427	2661	3209	3518
12. Interest Payments	3710	3920	4029	4492	5053	5640
13. Subsidies – (Food, Transport, Housing & Industry)	525	905	1573	1203	1258	1317
14. Subsidies –Power	1675	1400	1750	1750	2100	2100
15. Other O&M (Edn, Health, RD, WS, Agr, Forest)	2197	2444	2530	3155	3836	4641
16. Administrative Expenditure	440	442	559	589	621	654
17. Other Revenue Expenditure	4434	7163	7654	8296	8913	9251
18. Total Revenue Expenditure (8 to 17)	<b>21285</b>	<b>25439</b>	<b>28364</b>	<b>31083</b>	<b>34661</b>	<b>39069</b>
19. Salary + Interest+ Pensions (10+11+12)	11134	11185	12625	13692	15169	17898
20. As % of Revenue Receipts (19/7)	54	44	43	42	42	44
21. Revenue Surplus/Deficit (7-18)	525	-71	-854	-1388	-1621	-1445
<b>B. CONSOLIDATED REVENUE ACCOUNT</b>						
1. Interest payment on off-budget borrowings and SPV borrowing made by PSUs/SPUs outside budget	801	638	791	1203	817	480
2. Consolidated Revenue Deficit .	1326	567	63	185	804	965
<b>C. CONSOLIDATED DEBT</b>						
Total Debt Stock	42954	48384	53185	60465	66340	72823
<b>D. CAPITAL ACCOUNT</b>						
1. Expenditure on Capital formation	2937	2502	3774	4316	5346	6300
2. Recovery of loans and advances	64	30	30	100	100	100
<b>E. GROSS FISCAL DEFICIT (GFD)</b>	4501	4247	4714	5603	5875	6483

**Appendix 1.7**

**Utilisation certificates outstanding as on 31 March 2007**

(Reference: Paragraph 1.5.5, Page 22)

(Amount: Rupees in lakh)

Sl. No.	Department	Year of Payment of grant	Total grants paid		Utilisation Certificates			
			Number	Amount	Received		Outstanding	
					Number	Amount	Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>I</b>	<b>Education</b>							
	2203- Technical Education	1992-93	11	6.60	-	-	11	6.60
	<b>Total</b>		<b>11</b>	<b>6.60</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>6.60</b>
<b>II</b>	<b>Information, Tourism and Youth Services</b>							
1	2204- Sports & Youth Services	1989-90	12	5.93	-	-	12	5.93
		1990-91	1	0.10	-	-	1	0.10
		1998-99	2	94.75	-	-	2	94.75
		<b>Total</b>		<b>15</b>	<b>100.78</b>	<b>-</b>	<b>-</b>	<b>15</b>
2	2220- Information & Publicity	2003-04	4	5.00	4	5.00	-	-
		2004-05	6	6.15	6	6.15	-	-
		<b>Total</b>		<b>10</b>	<b>11.15</b>	<b>10</b>	<b>11.15</b>	<b>-</b>
<b>III</b>	<b>Kannada and Culture</b>							
1	2205- Art & Culture	1986-87	3	5.30	-	-	3	5.30
		1987-88	5	5.01	-	-	5	5.01
		1988-89	23	19.48	-	-	23	19.48
		1990-91	21	63.70	-	-	21	63.70
		1991-92	3	2.25	-	-	3	2.25
		1993-94	25	52.48	-	-	25	52.48
		1999-00	9	159.65	-	-	9	159.65
		2000-01	04	2.07	-	-	4	2.07
		2003-04	131	778.40	-	-	131	778.40
		2004-05	23	69.81	-	-	23	69.81
		2005-06	534	1521.68	-	-	534	1521.68
	<b>Total</b>		<b>781</b>	<b>2679.83</b>	<b>-</b>	<b>-</b>	<b>781</b>	<b>2679.83</b>
2	2235- Social Security & Welfare	1986-87	1	1.27	-	-	1	1.27
		1992-93	1	0.31	-	-	1	0.31
		1993-94	4	1.61	-	-	4	1.61
		1994-95	2	0.19	-	-	2	0.19
		<b>Total</b>		<b>8</b>	<b>3.38</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>IV</b>	<b>Health &amp; Family Welfare</b>							
	2210-Medical and Public Health	2004-05	10	1290.53	10	1290.53	-	-
	<b>Total</b>		<b>10</b>	<b>1290.53</b>	<b>10</b>	<b>1290.53</b>	<b>-</b>	<b>-</b>
<b>V</b>	<b>Urban Development</b>							
	2217- Urban Development	1993-94	6	271.52	-	-	6	271.52
		2001-02	5	293.84	-	-	5	293.84
		2002-03	2	638.00	-	-	2	638.00
		2003-04	8	8355.00	-	-	8	8355.00
		2004-05	31	36978.70	1	1273.10	30	35705.60
		2005-06	26	14683.59	-	-	26	14683.59
	<b>Total</b>		<b>78</b>	<b>61220.65</b>	<b>1</b>	<b>1273.10</b>	<b>77</b>	<b>59947.55</b>

Sl. No.	Department	Year of Payment of grant	Total grants paid		Utilisation Certificates			
					Received		Outstanding	
			Number	Amount	Number	Amount	Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>VI</b>	<b><i>Co-operation</i></b>							
1	2425- Co-operation	1986-87	1	1.96	1	1.96	-	-
		1988-89	21	4043.52	21	4043.52	-	-
		1989-90	20	3551.68	20	3551.68	-	-
	<b>Total</b>		<b>42</b>	<b>7597.16</b>	<b>42</b>	<b>7597.16</b>	<b>-</b>	<b>-</b>
2	3475- Other General Economic Services	1997-98	1	979.13	-	-	1	979.13
		1998-99	2	371.34	-	-	2	371.34
		2001-02	5	120.41	-	-	5	120.41
		2002-03	11	243.40	-	-	11	243.40
	<b>Total</b>		<b>19</b>	<b>1714.28</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>1714.28</b>
<b>VII</b>	<b><i>Agriculture and Horticulture</i></b>							
	2515- Other Rural Development Programme	1990-91	6	156.58	-	-	6	156.58
		1991-92	39	1233.84	-	-	39	1233.84
		1992-93	6	96.22	-	-	6	96.22
		1993-94	33	1419.37	-	-	33	1419.37
		1994-95	61	2327.86	-	-	61	2327.86
		2001-02	69	6397.50	3	230.00	66	6167.50
		2002-03	25	2536.53	2	205.00	23	2331.53
		2003-04	11	133.46	-	-	11	133.46
		2004-05	4	207.76	2	189.00	2	18.76
	2005-06	11	1295.20	-	-	11	1295.20	
<b>Total</b>		<b>265</b>	<b>15804.32</b>	<b>7</b>	<b>624.00</b>	<b>258</b>	<b>15180.32</b>	
<b>VIII</b>	<b><i>Planning, Statistics, Science and Technology</i></b>							
	3425- Other Scientific search	2002-03	2	13.50	-	-	2	13.50
		2003-04	3	27.82	-	-	3	27.82
		2005-06	37	804.34	-	-	37	804.34
	<b>Total</b>		<b>42</b>	<b>845.66</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>845.66</b>
<b>Grand Total</b>			<b>1281</b>	<b>91274.34</b>	<b>70</b>	<b>10795.94</b>	<b>1211</b>	<b>80478.40</b>



**Appendix 1.8**  
**Non-submission of accounts**  
**(Reference: Paragraph 1.5.6, Page 22)**

<b>Sl. No.</b>	<b>Department</b>	<b>Periods for which accounts not furnished</b>	<b>Number of accounts due</b>
1.	Co-operation	1980-81 to 1982-83, 1983-84 to 1985-86 and 1993-94 to 2006-07	292
2.	Commerce and Industries	2000-01 to 2006-07	77
3.	Education	1994-95 to 2006-07	263
4.	Forest, Environment and Ecology	2006-07	2
5.	Health & Family Welfare Services	1999-2000 to 2006-07	20
6.	Labour	1999-2000 to 2006-07	8
7.	Law	2001-02 to 2002-03 and 2004-05 to 2006-07	5
8.	Planning	2001-02 to 2006-07	6
9.	Public works and CADA	2000-01 to 2006-07	14
10.	Revenue	2001-02 to 2006-07	6
11.	Rural Development and Panchayati Raj	2000-01 to 2006-07	7
12.	Science and Technology (State)	2000-01 to 2006-07	10
13.	Urban Development	1994-95 to 2006-07	86
14.	Youth Services and Sports	1999-2000 to 2006-07	21
15.	Animal Husbandry & Fisheries	2003-04 to 2006-07	17
16.	Social Welfare	2003-04 to 2006-07	6
	<b>TOTAL</b>		<b>840</b>

### Appendix 1.9

#### Audit of Autonomous Bodies

(Reference: Paragraph 1.5.7, Page 22)

Sl. No	Autonomous Bodies	Period of entrustment	Date of entrustment	Years for which accounts due	Year up to which accounts received	Year up to which Audit Report issued
1.	Bangalore Water Supply and Sewerage Board, Bangalore	2004-05 to 2008-09	19-1-2005	2006-07	2006-07	2005-06
2.	Karnataka State Khadi and Village Industries Board, Bangalore	2002-03 to 2006-07	28.11.2002	2006-07	2006-07	2005-06
3.	Bangalore Development Authority, Bangalore	2005-06 to 2006-07	30-4-2005	2006-07	2006-07	2005-06
4.	Karnataka Urban Water Supply and Drainage Board, Bangalore	2006-07	17-6-2007	2006-07	2006-07	2005-06
5.	Karnataka Industrial Areas Development Board, Bangalore	2004-05 to 2008-09	17-6-2005	2006-07	2006-07	2005-06
6.	Karnataka State Legal Services Authority	KSLS Act, 1987 amended in 1994	--	2006-07	2005-06	2005-06
7.	Karnataka Slum Clearance Board, Bangalore	2002-03 to 2006-07	2.9.2003	2006-07	2005-06	2005-06
8.	Karnataka Housing Board, Bangalore	2006-07 to 2010-11	27.9.2007	2006-07	2006-07	2005-06

**Appendix 1.10**

**Department-wise details of cases of misappropriations/defalcations**

**(Reference: Paragraph 1.5.8, Page 22)**

(Rupees in lakh)

<b>Sl. No.</b>	<b>Department</b>	<b>No. of cases</b>	<b>Amount</b>
1	Horticulture	7	41.20
2	Animal Husbandry and Veterinary Services	1	1.10
3	Commerce and Industries	8	21.45
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	26	236.13
14	Water Resources	72	256.13
15	Revenue	12	10.96
16	Rural Development and Panchayat Raj	9	0.37
17	Social Welfare	4	3.37
18	Women and Child Development	3	0.88
	<b>Total</b>	<b>220</b>	<b>1,004.04</b>

## Appendix 2.1

**Major heads of account under which huge provisions remained unspent  
(Reference Paragraph 2.3.1, Page 38)**

(Rupees in crore)

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	1	2401	Crop Husbandry – Manures and Fertilizers – Buffer Stock for Fertilizers	17.00
			Crop Husbandry – Commercial Crops – Horticulture Department	12.27
			Crop Husbandry – Crop Insurance – New Crop Insurance Scheme	147.10
			Crop Husbandry – Assistance to Zilla Panchayats – Zilla Panchayats	12.45
			Crop Husbandry – Other Expenditure – Agriculture Department	48.08
			Crop Husbandry – Other Expenditure – Horticulture Department	15.41
		2402	Soil and Water Conservation – Soil Conservation – Comprehensive Watershed Development Project (World Bank Project)	80.53
2	3	2070	Other Administrative services –Other expenditure	
			-Filling up of vacant posts (State Sector)	131.32
			- Filling up of vacant posts (District Sector)	111.99
			-Additional Provision for Salaries	550.00
		2071	Pensions and Other Retirement Benefits – Civil	
			-Superannuation and Retirement Allowances – State Government Pensions	103.68
			-Commuted value of Pensions – Other Payments	113.80
			-Gratuities- Other Gratuities -Karnataka	101.52
2075	Miscellaneous General Services- State Lotteries - Director of State Lotteries	1,240.92		
3	5	2055	Police-State Head Quarters Police-Commissioner of Police	21.01
			Police-District Police-Police Force	44.16
			Police-Modernisation of Police Force	53.86
		2070	Other Administrative Services-Fire Protection and Control-Direction and Administration	11.79
3055	Road Transport-Other expenditure-Wage Settlement	30.41		
4	6	5465	Investments in General Financial and Trading Institutions-Investments in General Financial Institutions-Investments in Public Sector and Other Undertakings, Banks etc	
			- Investments in Bangalore International Airport Ltd (BIAL) through KSIIDC	54.57
			- Investments in Rail Infrastructure Development Corporation (Karnataka) Ltd. (K-RIDE)	61.11
5	7	4215	Capital Outlay on Water Supply and Sanitation	
			- Water Supply – Rural Water Supply – Capital release to Grama Panchayats	343.84
			- Sewerage and Sanitation- Investments in Public Sector and Other Undertakings – Investments in KLAC	12.00
		4515	Capital Outlay on Other Rural Development Programmes – Rural Development – Suvarna Gramodaya	24.77

Sl. No.	Grant No.	Major Head	Area	Unspent provision		
6	11	2235	Social Security and Welfare –Social Welfare			
			- Child Welfare-Bhagyada Lakshmi	68.00		
			- Child Welfare-Bicycle to Girls	25.00		
				2236	Nutrition-Distribution of Nutritious Foods and Beverages – Assistance to Taluk Panchayats – Taluk Panchayats	55.54
				31.02		
7	17	2202	General Education – Elementary Education – Assistance to Zilla Panchayats – Zilla Panchayats	44.78		
			General Education-Secondary Education – Government Secondary Schools – Junior Colleges	35.03		
			General Education – Secondary Education – Assistance to Non-Government Secondary Schools-Assistance to Non-Government Secondary Schools (State Sector Schemes)	40.92		
			General Education-General-Other expenditure-Computer literacy-Awareness in Secondary Schools	12.82		
8	19	2215	Water Supply and Sanitation-Water Supply – Assistance to Local Bodies, Corporations etc. – Karnataka Urban Water Supply and Drainage Board	42.93		
			2217	Urban Development-Other Urban Development Schemes-Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards, etc. – Bangalore Metropolitan Regional Development Authority	195.00	
				Urban Development-General-Direction and Administration-Directorate of Municipal Administration	18.57	
				Urban Development-General-Other expenditure-Basic Urban Service Programme Urban Infrastructure	546.65	
				Urban Development-General-Other expenditure-Submission for Basic Services for Urban Poor	94.56	
				Urban Development-General-Other expenditure-Basic Urban Service Program Urban Transport	117.41	
				3604	Compensation and Assignments to Local Bodies and Panchayat Raj Institutions – Assistance to Local Bodies and Municipalities/ Municipal Corporation-Devolutions to Municipal Corporations	20.64
						87.42
9	20	2059	Public Works – General – Suspense- Debits	87.42		
			3054	Roads and Bridges-District and Other Roads- Road Works – Rural Road Works	81.55	
				Roads and Bridges-District and Other Roads- Road Works – Rural Roads	31.44	
				Roads and Bridges – General – Assistance to Zilla Panchayats – Zilla Panchayats	103.59	
				Roads and Bridges –General-Transfer to Reserve Fund Deposit Accounts - Transfer of Cess to Rural Road Development Fund	100.00	
				4059	Capital Outlay on Public Works – General – Construction-Departmental Buildings	63.99
				5054	Capital Outlay on Roads and Bridges – District and Other Roads – Other Expenditure	
			– District Roads	142.72		
			– Central Road Fund Works	22.77		
10	21	4701	Capital Outlay on Major and Medium Irrigation			
			– Major and Medium Irrigation – Commercial Karanja Project AIBP-Other expenditure	24.20		

Sl. No.	Grant No.	Major Head	Area	Unspent provision
			- Medium Irrigation – Commercial- UKP Zones-Upper Krishna Project - Krishna Basin Project AIBP	99.36
			- Medium Irrigation – Commercial- Karnataka Neeravari Nigam Limited	195.00
			Capital Outlay on Major and Medium Irrigation-General-Investment in Public Sector and Other Undertakings	
			- Krishna Bhagya Jala Nigam Limited	23.59
			- Karnataka Neeravari Nigam Limited	29.05
			Capital Outlay on Major and Medium Irrigation- Other expenditure	
			- New Schemes	24.24
			- Rehabilitation taken under UKP	25.00
		4702	Capital Outlay on Minor Irrigation – Surface Water	
			- Water tanks – Construction of New tanks, Pick ups etc	157.11
			- World Bank Aided Tank Irrigation Projects	120.00
			- Lift Irrigation Schemes	27.87
11	22	2210	Medical and Public Health – Urban Health Services-Allopathy	
			-Hospitals and Dispensaries-Hospitals attached to teaching institutions	20.29
			- Other expenditure – XII Finance Commission Grants for Upgradation of Health Services	32.53
			Medical and Public Health – Medical Education Training and Research – Allopathy-Education including education in Pharmacy	18.33
			Medical and Public Health – Public Health- Prevention and Control of Diseases – Malaria	11.04
			Medical and Public Health – General-Assistance to Zilla Panchayats- Zilla Panchayats	11.43
			Medical and Public Health – General – Other expenditure – Apadbadahava Scheme	35.00
		2211	Family Welfare- Maternity and Child Health – Reproductive and Child Health Services – National Component	20.50
12	29	2049	Interest Payments - Interest on Small Savings Provident Funds etc – Interest on Insurance and Pension Funds – State Government Insurance Funds	52.30
			Interest Payments - Interest on Loans and Advances from Central Government – Interest on Loans for State Plan Schemes	97.87
		6003	Internal Debt of the State Government –Ways and Means Advances from Reserve Bank of India –Clean and Secured Ways and Means Advances	1,000.00
			Internal Debt of the State Government –Ways and Means Advances from Reserve Bank of India–Over Draft with Reserve Bank of India	350.00

**Appendix 2.2**

**Unspent provision due to non/short/ late -release of funds and non/late-  
receipt of sanctions from Government**

**(Reference: Paragraph 2.3.2, Page 39)**

(Rupees in crore)

Sl. No.	Grant	Head of account	Unspent provision
1.	1 – Agriculture and Horticulture	2401-00-105-0-01-Soil Health Centres-Subsidiary Expenses	4.80
2.	2 – Animal Husbandry and Fisheries	2403-00-101-0-04-Rinderpest Surveillance and Vaccination Programme for total eradication of Rinderpest – CSS (100% Central Assistance) – Grants in Aid	0.23
3.		2403-00-101-0-21 Control of Animal Diseases	3.76
4.		2403-00-113-0-01-Animal Husbandry, Statistics and live stock census – General Expenses	0.30
5.		2404-00-191-1- Karnataka Milk Producers Co-operative Federation Limited – Strengthening of Infrastructure for Quality and Clean Milk Production- Other Expenditure	37.50
6.		2401-00-191-2- Institute of Animal Health and Veterinary Biological – Central Regional Disease Diagnostic Laboratory – Grants-in-Aid	3.15
7.		2405-00-101-0-03 – Assistance for Development of Inland Fisheries – Assistance for Development of Inland Fisheries	0.53
8.		2405-00-103-0-06 – Remission of Central Excise Duty on HSD used by Mechanical Fish Craft – Financial Assistance / Relief	2.20
9.		4403-00-101-0-02 – Construction of Dispensaries under RIDF – NABARD Works	3.37
10.		3 – Finance	2054-00-095-0-01- Director of Treasuries Modernisation
11.	5 – Home and Transport	2055-00-800 -0-01 – Opening of New Police Station- Modernisation	0.78
12.		2056-00-800-0-07- Rehabilitation Centre for Prisoners – Other Expenses	1.00
13.	8 – Forest, Ecology and Environment	2406-00-02-110-02 – Central Sector Scheme of Project Tiger, Bandipur – Major Works	4.70
14.		2406-00-02-110-20 – Nilgiris Biosphere Rescue Major Works	0.71

Sl. No.	Grant	Head of account	Unspent provision
15.		2406-00-02-110-35 - Rehabilitation of Villages – Bhadra Wild Sanctuary – General Expenses	1.32
16.		2501-05-101- National Waste Land Development Programme – CSS for Area Oriented Fuel Wood (Fodder Project Scheme)	0.26
17.		3435-03-003-13 – National Lake Conservation Programme – Major Works	8.36
18.		3435-00-60-800-05 – National River Conservation Programme – Capital Expenses	7.23
19.	12- Information, Tourism and Youth Services	2204-00-104-11 Central Sector Scheme for Development of Sports and Games (100% Central Assistance) – Other Expenses	0.88
20.		2204-00-104-31 XII Finance Commission grants for Multi Gyms and Sports Complex	12.56
21.	26-Planning, Statistics, Science and Technology	3425-00-60-200-16 – Science and Technology Schemes - Grants-in-aid	4.25
22.		3425-00-60-200-19 – Support to Nano Technology - Grants-in-aid	1.00
	<b>TOTAL</b>		<b>101.79</b>



**Appendix 2.3**

**Persistent Unspent Provisions of Rs.0.25 crore and above**

**(Reference: Paragraph 2.3.3, Page 39)**

(Rupees in crore)

Sl. No.	Grant	Major Head	Year		
			2004-05	2005-06	2006-07
1	01- Agriculture and Horticulture (Revenue- Voted)	2401-796-1- Agriculture Department	1.43	4.38	4.38
		2401-796-2- Horticulture Department	0.52	0.34	0.38
2	02 – Animal Husbandry and Fisheries (Revenue- Voted)	2403-107-05- Centrally Sponsored Scheme of Establishment of Fodder Bank (50:50)	0.56	0.56	0.60
		2403-796-Tribal Area Sub – Plan	0.33	0.42	0.43
		2403-800-14-Special Component Plan	1.27	1.62	3.11
3	03 – Finance (Revenue – Voted)	2070-800-10-Filling up of Vacant Posts (State Sector)	111.87	144.67	131.32
		2070-800-11-Filling up of Vacant Posts (District Sector)	116.42	121.75	111.99
		2071-01-102-3- Other Payments	74.42	113.48	113.80
		2071-01-104-2- Other Gratuities – Karnataka	0.93	136.93	101.52
		2071-01-200-06- Adhoc Pensions to Ex-Patels	2.43	6.79	0.48
		2075-103-1- Director of State Lotteries	1,018.52	919.99	1,240.92
		2216-80-103-01- Subsidy to HDFC on House Building Loans to Government Servants	2.49	4.00	5.59
	(Capital- Voted)	7610-201-02-House Building Advance to All India Service Officers	2.89	2.96	6.96
		7610-202-01-Motor Conveyance Advance to Government Servants including AIS Officers	3.45	3.84	3.57
		7610-202-02- Motor Conveyance to MLAs	0.81	0.26	0.25
7610- 203-01- Government Departments		0.49	0.50	0.48	
		7610-204-01- Purchase of Computers	0.60	0.95	0.55
4	09 – Co – operation (Capital- Voted)	6416-00-190-1-Karnataka State Co-operative Agricultural and Rural Development Bank	0.81	0.84	1.07
5	10 – Social Welfare (Revenue Voted)	2225-01-793 – Special Central Assistance for SCP	5.20	5.27	7.55
6	11 – Women and Child Development (Revenue Voted)	2235-02-102-05- Central Sector Scheme –Udisha Training of Anganawadi Workers and Helpers-Subsidiary Expenses	4.54	1.14	0.83
		2235-02-103-43-CSS Swayam Sidda Yojane	0.62	0.26	0.27
	(Capital Voted)	4235-02-102-1-NABARD Works	1.41	10.25	7.75

Sl. No.	Grant	Major Head	Year			
			2004-05	2005-06	2006-07	
7	18 – Commerce and Industries (Revenue – Voted)	2851-102-29-Lumpsum Provision for Special Component Plan (Corporation and Companies viz., LIDKAR, KVIB, KHDC & KSCDS)	2.22	1.73	5.43	
		2851-102-52-TSP Boards, Corporations and Apex Institutions	0.58	0.45	1.41	
		2851-103-44-Special Component Plan for Handloom Textiles	5.44	4.42	5.08	
		2851-103-45-TSP for Handloom Textiles	1.41	1.51	1.32	
		2885-01-101-2- Karnataka Industrial Area Development Board	6.33	4.00	2.00	
	(Capital – Voted)	4851-108-09-CSS Apparel Park	5.01	12.20	12.20	
8	21- Water Resources (Revenue – Voted)	2701-80-005-1-Water Resources Development Organisation	0.92	0.77	1.41	
		2702-01-102-1-02- Mainternance and Repairs	11.69	7.44	11.11	
		2705-201-01-Tungabhadra Project	0.67	2.51	3.06	
		2705-202-01- Malaprabha and Ghatta Prabha Project	1.72	1.82	21.58	
		2705-203-01- Cauvery Basin Project	0.73	1.52	2.18	
		2705-205-01- Bhadra Project	0.40	1.25	1.50	
		2705-206-01- Projects	0.40	1.03	1.56	
		(Capital - Voted)	4701-01-328-6- Lift Irrigation Scheme	7.61	12.67	17.66
			4701-01-401-4- Other expenditure	14.28	25.27	24.20
			4702-00-101-2- World Bank Aided Tank Irrigation Projects	18.53	38.96	120.00
		4702-00-101-3- Lift Irrigation Scheme	2.78	1.48	27.87	
9	27 – Law (Revenue – Voted)	2014-00-800-8- Karnataka Judicial Academy	0.52	0.47	0.75	
		2071-01-111-1- Legislative Assembly	2.75	1.89	0.67	
		2071-01-111-2- Legislative Council	0.56	0.62	0.62	

**Appendix 2.4**  
**Surrender of unspent provisions**  
**(Reference: Paragraph 2.3.4, Page 39)**

(Rupees in crore)

Sl. No.	Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered	Percentage of amount not surrendered
(1)	(3)	(4)	(5)	(6)	(7)
1	<i>1 Agriculture and Horticulture</i>				
	Revenue Voted	388.93	273.36	115.57	30
	Revenue Charged	0.20	0.19	0.01	5
	Capital Voted	4.86	4.79	0.07	1
2	<i>2 Animal Husbandry &amp; Fisheries</i>				
	Revenue Voted	81.44	67.52	13.92	17
	Revenue Charged	0.08	0.06	0.02	25
	Capital Voted	10.70	3.37	7.33	69
3	<i>3 Finance</i>				
	Revenue Voted	2,297.35	1,546.41	750.94	33
	Capital Voted	25.21	11.70	13.51	54
4	<i>4 Department of Personnel and Administrative Reforms</i>				
	Revenue Voted	69.29	68.34	0.95	1
	Revenue Charged	22.26	1.07	21.19	95
5	<i>5 Home and Transport</i>				
	Revenue Voted	198.18	74.90	123.28	62
6	<i>6 Infrastructure Development</i>				
	Revenue Voted	0.01	-	0.01	100
	Capital Voted	125.35	-	125.35	100
7	<i>7 Rural Development and Panchayat Raj</i>				
	Revenue Voted	67.68	-	67.68	100
	Capital Voted	388.22	-	388.22	100
8	<i>8 Forest, Ecology and Environment</i>				
	Revenue Voted	63.87	52.25	11.62	18
	Revenue Charged	5.75	-	5.75	100
9	<i>9 Co-operation</i>				
	Revenue Voted	23.10	3.91	19.19	83
	Capital Voted	16.49	16.04	0.45	3
10	<i>10 Social Welfare</i>				
	Revenue Voted	65.27	0.06	65.21	100
	Capital Voted	20.63	-	20.63	100
11	<i>11 Women and Child Development</i>				
	Revenue Voted	204.05	-	204.05	100
	Capital Voted	8.51	-	8.51	100
12	<i>12 Information, Tourism and Youth Services</i>				
	Revenue Voted	21.73	18.75	2.98	14
	Capital Voted	0.06	-	0.06	100
13	<i>13 Food and Civil Supplies</i>				
	Revenue Voted	3.89	-	3.89	100
	Revenue Charged	0.02	-	0.02	100
	Capital Voted	10.00	-	10.00	100
14	<i>14 Revenue</i>				
	Revenue Charged	0.96	-	0.96	100
15	<i>15 Information Technology</i>				
	Revenue Voted	1.56	-	1.56	100

Sl. No.	Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered	Percentage of amount not surrendered
(1)	(3)	(4)	(5)	(6)	(7)
16	<i>16 Housing</i>				
	Revenue Voted	8.17	-	8.17	100
	Capital Voted	80.21	-	80.21	100
17	<i>17 Education</i>				
	Revenue Voted	195.26	44.28	150.98	77
	Capital Voted	49.20	-	49.20	100
18	<i>18 Commerce and Industries</i>				
	Capital Voted	65.79	0.62	65.17	99
19	<i>19 Urban Development</i>				
	Revenue Voted	1,092.32	-	1,092.32	100
	Capital Voted	72.74	-	72.74	100
20	<i>20 Public Works</i>				
	Revenue Voted	418.13	0.66	417.47	100
	Capital Voted	232.72	-	232.72	100
	Capital Charged	0.20	-	0.20	100
21	<i>21 Water Resources</i>				
	Revenue Voted	11.41	6.58	4.83	42
	Capital Voted	742.17	168.21	573.96	77
22	<i>22 Health and Family Welfare</i>				
	Revenue Voted	228.07	138.01	90.06	39
	Capital Voted	83.18	39.65	43.53	52
23	<i>23 Labour</i>				
	Revenue Voted	15.61	7.32	8.29	53
	Capital Voted	9.93	-	9.93	100
24	<i>24 Energy</i>				
	Revenue Charged	53.30	-	53.30	100
	Capital Voted	21.05	-	21.05	100
25	<i>25 Kannada and Culture</i>				
	Revenue Voted	16.59	12.49	4.10	25
	Capital Voted	0.32	0.27	0.05	16
26	<i>26 Planning, Statistics, Science and Technology</i>				
	Revenue Voted	69.52	8.31	61.21	88
27	<i>27 Law</i>				
	Revenue Voted	16.14	2.06	14.08	87
28	<i>29 Debt Servicing</i>				
	Revenue Charged	129.62	-	129.62	100
	<b>Total</b>	<b>7,737.30</b>	<b>2,571.18</b>	<b>5,166.12</b>	<b>67</b>

**Appendix 2.5**  
**Excess requiring regularisation**  
**(Reference: Paragraph 2.4.1, Page 39)**

(Rupees in crore)

Year	Number of grants/ Appropriation	Grant/Appropriation numbers	Amount of excess required to be regularised as commented in the Appropriation Accounts/Audit Reports	Actual excess	Remarks
1989-90	12/5	7,8,10,24,27,46,47,49,53,20,35,56,23,45,12, Interest payments	25.89	25.89	
1990-91	13/4	6,7,10,13,20,32,45,46,47,52,27,33,35,47,4	35.73	35.68	Excess reduced on account of reconciliation of expenditure
1991-92	13/3	7,11,14,22,23,36,45,46,47,51, 57,27,24,41, 43	58.99	58.47	-do-
1992-93	12/3	6,9,27,32,34,41,43,44,45,46,50,52,25,33, 34,48	107.47	107.47	
1993-94	7/3	22,36,46,49,54,13,29,49,24,43, Internal debt, Loans and advances from Central Government and Inter State Settlements	57.47	57.47	
1994-95	4/6	21,35,3,48,15,24,46,47,55	8.35	7.95	Due to erroneous budget provision
1995-96	9/2	2,33,39,43,45,49,1,46,52,21,44	27.79	27.79	
1996-97	9/3	2,16,33,43,49,51,8,24,25,45,1, 21,43,44	104.40	104.40	
1997-98	11	12,33,37,39,43,49,51,24,27,32,55	84.01	84.01	
1998-99	12	9,17,33,37,39,40,4,25,46,43,52	35.86	34.74	Excess reduced on account of reconciliation of expenditure
1999-00	11/2	10, 16, 19, 33, 34, 39, 48, 49, 65, 66, 8, 43.	333.22	333.22	
2000-01	11	5, 15, 24, 35, 38, 49, 7, 10, 42, 30, 44	114.46	114.46	
2001-02	10	5, 10, 13, 15, 24, 30, 35, 42, 44, 50	112.64	112.64	
2002-03	3/5	53,13,60,15,30,44,55,44	1,090.49	1,090.49	
2003-04	6/1	14,16,27,24,8,20,29	2,817.82	2,811.36	Reduction of Rs.6.46 crore is the net result of increase of Rs.0.04 crore due to reconciliation and decrease of Rs.6.50 crore due to rectification of misclassification.
2004-05	5/1	8,17,18,20,24,29	1,919.02	2,204.68	Excess increased due to proforma correction of Rs.285.66 crore under Grant 24 on account of book adjustments relating to power subsidy for 2004-05, not shown in the annual accounts 2004-05
2005-06	4/1	3,14,18,24,25	809.02	809.02	
<b>Total</b>			<b>7,742.63</b>	<b>8,019.74</b>	

**Appendix 2.6**  
**Persistent Excess expenditure over provision**  
**(Reference : Paragraph 2.4.3, Page 40)**

(Rupees in crore)

Sl. No.	Grant & Head of account	2004-05			2005-06			2006-07		
		Provision	Expenditure	Excess	Provision	Expenditure	Excess	Provision	Expenditure	Excess
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<b>1</b>	<b>3 - Finance</b> 2071-01-115-2-Social Services	32.23	42.39	10.16	43.69	46.67	2.99	46.05	50.63	4.58
<b>2</b>	<b>12- Information Tourism and Youth Services</b> 2204-00-800-12-Financial Assistance to Sports Persons and Wrestlers in Indigent Circumstances	0.09	0.12	0.03	0.05	0.11	0.06	-	0.07	0.07
<b>3</b>	<b>14- Revenue</b> 2235-02-101-0-20- Monthly Financial Assistance for the Physically Handicapped and the Disabled Poor	44.80	55.67	10.87	45.70	59.78	14.08	80.81	95.60	6.79
	2235-60-102-2- Pension of Destitute Widows	63.67	78.32	14.65	64.95	82.72	17.77	151.21	160.28	9.08
<b>4</b>	<b>21 - Water Resources</b> 2701-01-317-0-04- Maintenance and Repairs	6.47	8.04	1.57	8.56	11.29	2.73	7.54	11.78	4.24
	2702-01-101-0-02- Maintenance and Repairs	14.75	24.73	9.98	15.63	23.68	8.05	29.20	40.38	11.18
	2702-80-001-1- Chief Engineer, Minor Irrigation	2.63	3.14	0.51	2.64	3.32	0.68	2.86	3.43	0.57
	2702-80-800-0-01- Survey Works, Minor Irrigation, Bangalore	0.05	0.53	0.48	0.05	0.93	0.88	0.06	0.28	0.22
	2711-02-103-0-01- Maintenance of Sea Walls and Spurs	0.24	0.48	0.24	0.25	0.49	0.24	0.30	0.59	0.29
	4701-01-315-4- Other Expenditure	0.21	2.22	2.01	15.01	16.08	1.07	45.15	65.39	20.24
	4701-01-317-1-Direction and Administration	1.03	8.22	7.20	1.14	9.34	8.20	1.04	8.27	7.23
	4711-01-103-1- Other Flood Control Works	2.20	3.29	1.09	3.75	5.32	1.57	4.67	7.41	2.83

**Appendix 2.7**

**Unnecessary supplementary provisions**

**(Reference: Paragraph 2.5.1, Page 40)**

(Rupees in crore)

Sl. No.	Grant No. & Section	No. of detailed heads	Provision		Expenditure	Unspent provision
			Original	Supplementary		
1	1 (Revenue-Voted)	05	46.01	18.03	36.11	27.93
2	2 (Revenue-Voted)	01	5.40	0.28	3.71	1.97
	2 (Capital –Voted)	01	0.40	5.00	0.20	5.20
3	3 (Revenue –Voted)	05	296.61	15.29	60.30	251.60
	3 (Capital –Voted)	01	0	12.62	0	12.62
4	4 (Revenue –Voted)	01	10.18	0.54	9.88	0.84
	4 (Revenue - Charged)	01	3.01	0.15	2.92	0.24
5	5 (Revenue –Voted)	05	282.45	13.48	272.24	23.69
6	6 (Capital –Voted)	01	0	3.67	0	3.67
7	7 (Revenue –Voted)	02	3.40	0.18	2.69	0.89
	7 (Capital –Voted)	03	646.00	152.18	446.63	351.55
8	8 (Revenue –Voted)	01	10.71	0.58	10.34	0.95
9	9 (Revenue –Voted)	02	26.01	16.38	25.01	17.38
10	10 (Capital-Voted)	02	0	5.00	0	5.00
11	12 (Revenue –Voted)	01	3.85	0.20	3.53	0.52
12	13 (Revenue –Voted)	03	24.26	1.39	22.35	3.30
	13 (Capital –Voted)	01	8.00	2.00	0	10.00
13	14 (Revenue – Voted)	04	143.08	10.03	137.64	15.47
14	17 (Revenue –Voted)	05	270.42	15.86	241.55	44.73
15	18 (Revenue –Voted)	03	52.80	2.85	37.81	17.84
	18 (Capital- Voted)	01	0	5.00	0	5.00
16	19 (Revenue –Voted)	04	9.44	0.49	4.94	4.99
17	20 (Revenue –Voted)	03	46.66	2.48	37.50	11.64
	20 (Capital- Voted)	01	15.30	0.16	9.27	6.19
18	21 (Revenue- Voted)	02	31.87	11.45	30.06	13.26
19	23 (Revenue –Voted)	02	35.67	1.86	33.47	4.06
	23 (Capital –Voted)	01	3.00	4.00	0.07	6.93
20	25 (Revenue –Voted)	01	1.10	0.50	1.07	0.53
21	27 (Revenue –Voted)	03	24.55	1.27	21.61	4.21
	<b>Total</b>	<b>66</b>	<b>2,000.18</b>	<b>302.92</b>	<b>1,450.90</b>	<b>852.20</b>

**Appendix 2.8**  
**Insufficient supplementary provisions**  
**(Reference: Paragraph 2.5.2, Page 40)**

(Rupees in crore)

Sl. No.	Grant & Section	No. of detailed heads	Provisions		Expenditure	Excess uncovered
			Original	Supplementary		
1	3 (Revenue – Voted)	3	58.75	3.00	65.14	3.39
2	4 (Revenue –Charged)	1	2.91	0.15	3.49	0.43
3	5 (Revenue – Voted)	2	19.39	0.94	22.42	2.09
4	7 (Revenue– Voted)	1	3.95	0.22	4.68	0.51
5	10 (Revenue - Voted)	1	3.58	0.18	4.04	0.28
6	12 (Revenue – Voted)	1	1.32	0.06	1.90	0.52
7	14 (Revenue – Voted)	1	61.47	3.32	76.69	11.90
8	17 (Revenue – Voted)	4	18.69	3.20	27.44	5.55
9	18 (Revenue – Voted)	1	1.56	0.08	2.00	0.36
10	19 (Revenue – Voted)	2	5.06	0.27	5.95	0.62
11	20 (Revenue – Voted)	2	6.34	0.33	7.54	0.87
	20 (Capital – Voted)	3	124.50	147.85	329.75	57.40
12	21 (Revenue – Voted)	3	29.73	25.98	84.94	29.23
	21 (Capital-Voted)	1	15.00	5.00	20.80	0.80
13	23 (Revenue – Voted)	1	27.70	1.42	29.96	0.84
	<b>Total</b>	<b>27</b>	<b>379.95</b>	<b>192.00</b>	<b>686.74</b>	<b>114.79</b>



**Appendix 2.9**  
**Excessive supplementary provisions**  
**(Reference: Paragraph 2.5.3, Page 40)**

(Rupees in crore)

Sl. No.	Grant & Section	No. of detailed heads	Provision		Expenditure	Unspent provision
			Original	Supplementary		
1	1 (Revenue-Voted)	1	0.72	0.91	0.99	0.64
2	3 (Revenue-Voted)	1	7.86	1.21	8.21	0.86
	3 (Capital-Voted)	1	0.25	0.75	0.55	0.45
3	4 (Revenue-Voted)	2	18.11	4.63	21.40	1.34
4	7 (Capital-Voted)	1	31.70	48.77	76.18	4.29
5	8 (Revenue-Voted)	1	70.12	3.76	70.76	3.12
6	9 (Revenue-Voted)	1	16.74	0.89	16.88	0.75
7	11 (Revenue-Voted)	1	0	0.36	0.09	0.27
8	13 (Revenue-Voted)	1	720.00	30.00	749.66	0.34
9	14 (Revenue-Voted)	1	11.19	14.75	19.47	6.47
	14 (Capital-Charged)	1	1.02	1.37	1.43	0.96
10	17 (Revenue-Voted)	1	15.00	78.14	87.82	5.32
	17 (Capital-Voted)	1	2.00	23.96	5.13	20.83
11	18 (Revenue-Voted)	2	20.03	25.55	40.04	5.54
	18 (Capital-Voted)	1	10.00	61.27	65.31	5.96
12	20 (Revenue-Voted)	2	9.84	60.52	38.42	31.94
	20 (Capital-Voted)	4	119.65	145.79	165.39	100.05
13	21 (Revenue-Voted)	1	9.71	24.07	14.06	19.72
	21 (Capital-Voted)	2	4.53	43.99	24.16	24.36
14	22 (Capital-Voted)	1	6.00	46.50	34.35	18.15
15	23 (Revenue –Voted)	1	1.01	2.40	3.01	0.40
16	26 (Revenue –Voted)	1	150.00	154.67	303.38	1.29
17	27 (Revenue –Voted)	2	105.19	8.06	111.82	1.43
	<b>Total</b>	<b>31</b>	<b>1,330.67</b>	<b>782.32</b>	<b>1,858.51</b>	<b>254.48</b>

**Appendix 2.10**  
**Injudicious re-appropriation of funds**  
**(Reference: Paragraph 2.6.1, Page 40)**

(Rupees in crore)

Sl. No.	Head of account	Provision (Original plus Supplementary)	Re-appropriation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	2245 Relief on Account of Natural Calamities 01 Drought 800 Other Expenditure 1 Other miscellaneous items of relief expenditure 01 Employment Generation 100 Financial assistance / relief	229.50	(+)25.50	255.00	263.50	(+)8.50
2	4701 Capital Outlay on Major and Medium Irrigation 01 Major Irrigation – Commercial 315 Bhadra Project 4 Other expenditure 21 Bhadra Modernisation 132 Capital expenses	45.15	(+)18.13	63.28	65.39	(+)2.11
3	2801 Power 80 General 101 Assistance to Electricity Board 1 Karnataka Electricity Board 04 Subsidies to Karnataka Power Transmission Corporation Ltd for loss due to Rural Electrification 106 Subsidies	1,800.00	(+)240.00	2,040.00	2,041.99	(+)1.99
4	2852 Industries 80 General 796 Tribal Area Sub-Plan 01 TSP Programme 423 Tribal Sub-Plan	0.11	(+)0.25	0.36	0.70	(+)0.34
	<b>Total</b>	<b>2,074.76</b>	<b>(+)283.88</b>	<b>2,358.64</b>	<b>2,371.58</b>	<b>(+)12.94</b>
5	5465 Capital Outlay on General Financial and Trading Institutions 01 Investments in General Financial Institutions 190 Investments in Public Sector and Other Undertakings, Banks, etc. 2 Investments in Bangalore International Airport Ltd (BIAL) through KSIIDC 02 BIAL – State support to project 100 Financial Assistance / Relief	123.85	(-)2.60	121.25	71.53	(-)49.72
6	2202 General Education 01 Elementary Education 196 Assistance to Zilla Panchayats 1 Zilla Panchayat 01 Block Assistance to Zilla Panchayats 411 Kodagu	69.88	(-)1.98	67.90	26.64	(-)41.26

(1)	(2)	(3)	(4)	(5)	(6)	(7)
7	2801 Power 80 General 101 Assistance to Electricity Board 1 Karnataka Electricity Board 10 Cost of Fixed Metered Connections 106 Subsidies	100.00	(-)80.00	20.00	4.46	(-)15.54
8	2202 General Education 02 Secondary Education 110 Assistance to Non-Government Secondary Schools 3 Assistance to Non-Government Secondary Schools (State Sector Schemes) 01 Maintenance 101 Grants-in-aid	187.81	(-)28.09	159.72	146.89	(-)12.83
9	2217 Urban Development 80 General 800 Other expenditure 08 Urban Infrastructure Development Scheme for Small and Medium Town (UIDSSMT) 059 Other expenses	110.00	(-)32.30	77.70	66.10	(-)11.60
10	2030 Stamps and Registration 02 Stamps – Non-Judicial 102 Expenses on sale of stamps 015 Subsidiary Expenses	10.00	(-)1.30	8.70	-	(-)8.70
11	2801 Power 80 General 101 Assistance to Electricity Board 1 Karnataka Electricity Board 12 Incentive growth to Gram Panchayats 106 Subsidies	100.00	(-)95.00	5.00	-	(-)5.00
12	2801 Power 80 General 101 Assistance to Electricity Board 1 Karnataka Electricity Board 14 Irrigation Pump sets regularisation 106 Subsidies	127.00	(-)65.00	62.00	58.26	(-)3.74
13	2235 Social Security and Welfare 02 Social Welfare 106 Correctional Services 10 CSS (50:50) of prevention and Control of Juvenile Social Maladjustments 051 General Expenses	2.09	(-)0.02	2.07	0.54	(-)1.53
14	2851 Village and Small Industries 103 Handloom Industries 60 Deendayal Hatkarga Yojana – Co-operative 059 Other expenses	2.00	(-)0.20	1.80	0.49	(-)1.31
15	2202 General Education 01 Elementary Education 196 Assistance to Zilla Panchayats 1 Zilla Panchayat					

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	01 Block Assistance to Zilla Panchayats					
	403 Chitradurga	16.19	(-)1.10	15.09	13.80	(-)1.29
16	2401 Crop Husbandry					
	800 Other Expenditure					
	1 Agriculture Department					
	46 Bio-Fuels					
	059 Other Expenses	6.00	(-)0.60	5.40	4.34	(-)1.06
17	2202 General Education					
	03 University and Higher Education					
	103 Government Colleges and Institutes					
	2 Other Government Colleges					
	01 Other Government Colleges					
	059 Other expenses	14.11	(-)0.82	13.29	12.34	(-)0.95
18	2225 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes					
	01 Welfare of Scheduled Castes					
	196 Assistance to Zilla Panchayats					
	1 Zilla Panchayats					
	01 Block Grants					
	407 Mysore	5.68	(-)0.30	5.38	4.45	(-)0.93
19	2515 Other Rural Development Department					
	101 Panchayati Raj					
	80 Karnataka Rural Poverty and Panchayat Project					
	059 Other expenses	51.00	(-)0.32	50.68	49.82	(-)0.86
20	2245 Relief on account of Natural Calamities					
	01 Drought					
	102 Drinking Water Supply					
	100 Financial Assistance / Relief	38.20	(-)25.50	12.70	12.00	(-)0.70
21	2225 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes					
	01 Welfare of Scheduled Castes					
	196 Assistance to Zilla Panchayats					
	1 Zilla Panchayats					
	01 Block Grants					
	418 Bellary	4.16	(-)0.90	3.26	2.68	(-)0.58
22	2230 Labour and Employment Training					
	03 Training					
	101 Industrial Training Institutes					
	01 Industrial Training Institutes / Centres					
	051 General expenses	10.19	(-)1.03	9.16	8.66	(-)0.50
23	2235 Social Security and Welfare					
	02 Social Welfare					
	106 Correctional Services					
	06 State Homes and Reception Centres					
	221 Materials and Supplies	0.95	(-)0.02	0.93	0.54	(-)0.39
	<b>Total</b>	<b>979.11</b>	<b>(-)337.08</b>	<b>642.03</b>	<b>483.54</b>	<b>(-)158.49</b>

(1)	(2)	(3)	(4)	(5)	(6)	(7)
24	5465 Capital Outlay on 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) Limited (K-RIDE) 05 Cost sharing for new projects 211 Investments	60.00	(+30.00)	90.00	83.74	(-)6.26
25	2851 Village and Small Industries 103 Handloom Industries 59 Deendayal Hatkarga Yojana-KHDC 059 Other expenses	10.80	(+4.60)	15.40	10.38	(-)5.02
26	5465 Capital Outlay on General Financial and Trading Institutions 01 Investments in General Financial Institutions 190 Investments in Public Sector and Other Undertakings, Banks, etc. 2 Investments in Bangalore International Airport Ltd (BIAL) through KSIIDC 01 KSIIDC 211 Investments	10.78	(+2.60)	13.38	10.78	(-)2.60
27	4701 Capital Outlay on Major and Medium Irrigation 03 Medium Irrigation – Commercial 337 Hirehalla Tank 4 Other expenditure 02 Dam and Appurtenant works 132 Capital expenses	2.00	(+0.29)	2.29	0.19	(-)2.10
28	2401 Crop Husbandry 800 Other Expenditure 1 Agriculture Department 44 New Agricultural Promotion Scheme 101 Grants-in-aid	28.00	(+0.20)	28.20	26.56	(-)1.64
29	2205 Art and Culture 105 Public Libraries 04 District Library Authorities under Section 31 of Karnataka Public Libraries Act, 1965 117 Scholarships and Incentives	3.42	(+0.80)	4.22	2.69	(-)1.53
30	2852 Industries 80 General 789 Special Component Plan for SCs 422 Special Component Plan	0.38	(+0.70)	1.08	0.25	(-)0.83

(1)	(2)	(3)	(4)	(5)	(6)	(7)
31	2202 General Education 01 Elementary Education 197 Assistance to Taluk Panchayats 1 Taluk Panchayats 01 Block Grants 418 Bellary	86.63	(+)0.66	87.29	86.63	(-)0.66
32	2401 Crop Husbandry 108 Commercial Crop 1 Agriculture Department 13 Mini Mission-II under Technology Mission on cotton 100 Financial Assistance / Relief	2.20	(+)0.40	2.60	2.04	(-)0.56
33	2230 Labour and Employment Training 03 Training 101 Industrial Training Institutes 17 Special Component Plan for Training Programme for SC / ST 422 Special Component Plan	0.29	(+)0.66	0.95	0.56	(-)0.39
34	2402 Soil and Water Conservation 198 Assistance to Gram Panchayats 1 Gram Panchayats 01 Block Grants 410 Hassan	0.30	(+)0.05	0.35	0.08	(-)0.27
35	2230 Stamps and Registration 03 Registration 001 Direction and Administration 1 Inspector General of Stamps and Registration 071 Building Expenses	0.87	(+)1.20	2.07	1.80	(-)0.27
36	2402 Soil and Water Conservation 198 Assistance to Gram Panchayats 1 Gram Panchayats 01 Block Grants 466 Koppal	0.25	(+)0.25	0.50	0.25	(-)0.25
	<b>Total</b>	<b>205.92</b>	<b>(+)42.41</b>	<b>248.33</b>	<b>225.95</b>	<b>(-)22.38</b>
37	5054 Capital Outlay on Roads and Bridges 03 State Highways 337 Road Works 02 Other Road formation 172 Roads	160.66	(-)10.00	150.66	160.76	(+)10.10
38	4701 Capital Outlay on Major and Medium Irrigation 03 Medium Irrigation – Commercial 337 Hirehalla tank 4 Other Expenditure 03 Canal and Branches 132 Capital Expenses	7.00	(-)0.89	6.11	8.13	(+)2.02
39	2225 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes 01 Welfare of Scheduled Castes 196 Assistance to Zilla Panchayats 1 Zilla Panchayats 01 Block Grants 416 Uttara Kannada	2.18	(-)0.20	1.98	2.56	(+)0.58

(1)	(2)	(3)	(4)	(5)	(6)	(7)
40	2225 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes 01 Welfare of Scheduled Castes 196 Assistance to Zilla Panchayats 1 Zilla Panchayats 01 Block Grants 402 Bangalore (Rural)	4.89	(-)0.48	4.41	4.71	(+)0.30
41	2202 General Education 01 Elementary Education 196 Assistance to Zilla Panchayats 1 Zilla Panchayat 01 Block Assistance to Zilla Panchayats 416 Uttara Kannada	18.56	(-)1.00	17.56	17.81	(+)0.25
	<b>Total</b>	<b>193.29</b>	<b>(-)12.57</b>	<b>180.72</b>	<b>193.97</b>	<b>(+)13.25</b>

**Appendix 2.11**  
**Defective re-appropriation orders**  
**(Reference: Para 2.6.2, Page 41)**

(Rupees in crore)

SL. No.	Grant	Re-appropriation Order No. & Date	Amount included	Issuing authority	Reasons for rejection
1	1 – Agriculture & Horticulture	FD 114 BRS 2007 dt.1.3.07	2.00	Under Secretary to Govt. (FR & BCC)	The order included an item of expenditure on New Service
2	1 – Agriculture & Horticulture	JAЕ A/CTS 3/05-06 DT.31.1.07	0.02	Commissioner, Watershed Development Dept.	Limited power to sanction re-appropriation orders.
3	1 – Agriculture & Horticulture	AHD 06 AMS 2007 DT.7.3.07	0.20	Under Secretary to Govt, Agriculture & Horticulture dept.	The re-appropriation statement is not self balanced, specific reasons not indicated, re-appropriation order received after closure of due date
4	2 – Animal Husbandry and Fisheries	AHF 160 SFS 2006 DT 22.12.06	0.12	Under Secretary to Govt. of Karnataka, Animal Husbandry and Fisheries	Specific reasons called for. Amount of re-appropriation more than Rs.10 lakhs. For want of signed copy of the sanction order.
5	2 – Animal Husbandry and Fisheries	AHF SFS 2006 DT 15.03.07	0.16	Under Secretary to Govt. of Karnataka, Animal Husbandry and Fisheries	For want of sanction and ink signed copy.
6	2 – Animal Husbandry and Fisheries	AHF 1 SFS 2007 DT.23.03.07	0.09	Under Secretary to Govt. of Karnataka, Animal Husbandry and Fisheries	For want of sanction.
7	2 – Animal Husbandry and Fisheries	AHF 35 SFS 2007 DT13.03.2007	0.19	Under Secretary to Govt. of Karnataka, Animal Husbandry and Fisheries	For want of sanction
8	3 – Finance	SVL(4)26/06-07 DT.24.1.07	0.01	Director of Small Saving and State Lotteries	Columns does not tally
9	4 – Department of Personnel & Administrative Reforms	DPAR 07 CHUHAMAM 2006 dt.4.1.07	0.13	Secretary to Govt. DPAR(Elections) B'lore 1	Re-appropriation Statement in not self balanced
10	4 – Department of Personnel & Administrative Reforms	CIASUE 2 CHUBAJE 2005 DT.9.3.07	0.09	Joint Chief Electoral Officer and Ex-officio Joint Secretary to Govt, DPAR(Elections), B'lore	Re-appropriation Statement in not self balanced
11	4 – Department of Personnel & Administrative Reforms	LOK/ACS-4/RE-APP/77/06-07 DT.13.03.07	0.06	Registrar Office of the Lakayukta, MS Building, B'lore	Re-appropriation Statement in not self balanced
12	4 – Department of Personnel & Administrative Reforms	CASUE 26 EAT 07 B'LORE DT.12.3.07	0.19	Secretary to Govt. DPAR(AR training) B'lore	Sanction order has not been signed in ink



<b>SL. No.</b>	<b>Grant</b>	<b>Re-appropriation Order No. &amp; Date</b>	<b>Amount included</b>	<b>Issuing authority</b>	<b>Reasons for rejection</b>
13	4 – Department of Personnel & Administrative Reforms	ACTICR 45 06-07 DT.19.2.07	0.05	Director General Administrative Training Institute Lalitha Mahal, Mysore – 570001.	Re-appropriation statement is not in the prescribed form (Form 22A)
14	4 – Department of Personnel & Administrative Reforms	CASUE 12 SELOV 2007 DT.13.3.07	0.06	Secretary to Govt. DPAR (Service Rules – 2) B'lore	Specific reasons for the excess/savings have not been indicated
15	7 – Rural Development and Panchayat Raj	GRAPA/21 UKAYO 2007 DT.28.03.07	3.54	Director and Incharge Under Secretary to Government RDPR Dept.	Sanction for re-appropriation and sanction order & re-appropriation statement not signed in ink
16	8 – Forest, Ecology and Environment	FEE 39 ENG 2006 DT.1.02.07	0.02	Under Secretary to Govt of Karnataka, Forest, Ecology & Environment	For want of sanction, Form 22 A not self balanced.
17	8 – Forest, Ecology and Environment	FEE 7 ENG 2006 DT.14.2.07	0.03	Under Secretary to Govt of Karnataka, Forest, Ecology & Environment	For want of sanction, Form 22 A not self balanced. For want of specific reasons
18	17 – Education	FD 371 BRS 2006 B'LORE DT.19.12.06	9.92	Finance Department	Re-appropriation order included an item of expenditure on New Service. Hence Re-appropriation is not permissible in this regard.
19	17 – Education	SAM SA E/LESAMI 2/31/PRAVI/10990/ 06-07 DT.7.2.07	0.02	Director of Libraries V.V Tower, 4 <sup>th</sup> floor, Dr.Ambedkar Veedhi B'lore	Specific reasons not furnished and sanction for re-appropriation not communicated
20	17 – Education	NCA ACII 108 RE- APP 05-06 DT.8.2.07 & DT.27.3.07	0.01	Dy. Director General (NCC), NCC Directorate (NCC Cell),no.8 Cunningham Road, B'lore	Re-appropriation statement not self balanced and not in prescribed form and specific reasons not furnished
21	17 – Education	NCA ACII 108 RE- APP 05-06 DT.19.1.07 & DT.27.3.07	0.01	- do -	Re-appropriation statement not self balanced and not in prescribed form and specific reasons not furnished
22	17 – Education	DOA/A/C'S/RE- APP/06-07/99-100 DT.5.3.07	0.04	Commissioner, Dept of Archeology Museums & Heritage B'lore	Re-appropriation statement not self balanced and not in prescribed form and specific reasons not furnished
23	17 – Education	ED 246 YOYOKA 2006 B'LORE DT.6.3.07	0.20	Joint Secretary (Planning) Dept. Bangalore	Department are not empowered to sanction re-appropriation not exceeding Rs.5 lakhs/10 lakhs sanction for re-appropriation & not signed in ink.
24	18 – Commerce and Industries	C 1 51 JAKAIU 2006 DT.27.09.06	0.08	Under Secretary to Government Commerce & Industries Department	Cyclostyled copy of the order received
25	18 – Commerce and Industries	SANIHI 21 AJAHA 2006 dt.13.02.07	0.10	Under Secretary to Government Water Resources Department	Sanction order not signed in ink
26	19 – Urban Development	TPLV(4) 202-2006 DT.9.11.06	0.02	Director of Town Planning	Sanction was not in order and it was not signed in ink, and not self balanced

SL. No.	Grant	Re-appropriation Order No. & Date	Amount included	Issuing authority	Reasons for rejection
27	20 – Public Works	CA C5 2446-2451 DT.16.12.06	0.01	Chief Architect PWD	Specific reasons not furnished. Original Budget Estimate does not tally with the amount shown in Form 22A.
28	20 – Public Works	FD PW 18(A) DT.30.03.07	1.88	Secretary to Government of Karnataka PWD Finance Cell	Amount in Figures and words does not tally revised orders called for
29	21 – Water Resources	PW 14(A)FC 1/07 dt.30.03.07	0.55	Under Secretary to Govt PWD(FC) Vidhana Soudha, Bangalore	Amount under Pensionary charges re-appropriated to other heads
30	21 – Water Resources	PW 14(b)fc 1/07 dt.30.03.07	0.11	- do -	Details fo breakup under objection not furnished
31	21 – Water Resources	SAKAE 16 AVISA 2007 DT.	0.15	Under Secretary to Govt of Karnataka Water Resources (Minor Irrigation)	Objet head and total provision as per budget estimates not furnished
32	22 – Health and Family Welfare	AKUKA 53 PRD 2007 dt.27.02.07	0.19	Secretary to Government health and Family Welfare Department, Bangalore	Sanction order has not signed in ink
33	22 – Health and Family Welfare	AKUKA 53 PRD 2007 DT.27.02.07	0.11	Secretary to Govt Health & Family Welfare Dept. B'lore	The re-appropriation statement in not self balanced.
34	22 – Health and Family Welfare	CIASUE 4 CHUHAMAM 2006 DT.17.10.06	0.17	Assistant chief Electoral Officer	The re-appropriation statement in not self balanced. Sanction for re-appropriation have not been communicated
35	22 – Health and Family Welfare	RCK/ACO/RE-APP/06-07/9091 DT.21.03.2007	0.14	Principal Secretary & Resident Commissioner	The re-appropriation statement in not self balanced. Sanction for re-appropriation have not been communicated
36	22 – Health and Family Welfare	GS 37 ACT 2006 DT.19.10.06	0.02	Secretary to Governor Raj Bhavan, B'lore	1. The re-appropriation statement in not self balanced. 2. Re-appropriation order is not signed in ink
37	22 – Health and Family Welfare	LOC/ACS-4/RE-APP/77/06-07 DT.13.03.07	0.06	Registrar, Office Lokayukta, MS Building – I	The re-appropriation statement in not self balanced. Sanction for re-appropriation have not been communicated. Re-appropriation statement is not signed in ink.
38	23 – Labour	KE 6 KABS 2007 DT.21.2.07	0.02	Secretary to Government of Karnataka Labour Dept	Statement was not self balanced
39	23 – Labour	ACT 1 CR 61 06-07 DT.28.02.07	0.02	Commissioner of Labour	No specific reasons furnished
40	23 – Labour	ACT TRG BGT 13 06-07 DT.9.3.07	0.02	Commissioner of Labour	Statement was not self balanced

<b>SL. No.</b>	<b>Grant</b>	<b>Re-appropriation Order No. &amp; Date</b>	<b>Amount included</b>	<b>Issuing authority</b>	<b>Reasons for rejection</b>
41	25 – Kannada and Culture	kasani 6 a/c's 4 06 -07 b'lore dt.24.2.06	0.02	Commissioner Directorate of KSC, J.C.Road, B'lore	Re-appropriation Statement non self balanced want to specific reasons not communicating sanction for re-appropriation
42	26 – Planning, Statistics and Technology	PD 71 PSD 2006 DT.08.2.07	0.02	Under Secretary to Govt. (1 & 2) Planning & Statistics Dept.	Sanction for re-appropriation not communicated
43	26 – Planning, Statistics and Technology	ASANI/19/A/C'S 4/2006 DT.8.3.07	0.02	Director, Economics & State Department	Sanction for re-appropriation not communicated
44	27 - Law	HCB 282/RE-APP/SUBCOURTS /06 DT.29.11.06	0.10	Registrar General, High Court of Karnataka, Bangalore	As the exceeded the limits for sanctioning RA as prescribed in KFC for the Administrative Depts of Govt.
45	27 - Law	7995/AG/A/C'S/06 -07 DT.24.2.07	0.01	Advocate General, High court of Karnataka, B'lore	As exceeded the limits for sanctioning RA for the Heads of Depts as Government as prescribed in KFC
46	27 - Law	HB 282/RE-APP/SUBCOURTS /2006 T.9.3.07	0.08	Registrar General, High court of Karnataka.	As the exceeded the limits for sanctioning RA as prescribed in KFC for the Administrative Depts of Govt
47	27 - Law	KAT/A/CTS/RAP/ 06-07 DT.15.02.2007	0.03	The Registrar, Karnataka Administrative Tribunal, BDA complex, Indiranagar, B'lore	As the exceeded the limits for sanctioning RA as prescribed in KFC for the Administrative Depts of Govt
48	28 – Parliamentary Affairs and Legislation	KVSS A1 17 MAHO 07 B'LORE DT.6.2.07	0.20	Under Secretary to Govt Karnataka Legislative Assembly Secretariat.	No powers to sanction above Rs.10 lakhs
	<b>Total</b>		<b>21.29</b>		

**Appendix 2.12**  
**Errors in budgeting**  
**(Reference: Paragraph 2.8, Page 41)**

(Rupees in crore)

Sl. No.	Grant	Head of account	Amount involved	Error
1	03 – Finance	2403-Animal Husbandry-Assistance to Taluk Panchayats – Taluk Panchayats-Block Grants	0.27	Provision was to be made under Grant No.2 – Animal Husbandry and Fisheries
2.	06 – Infrastructure Development	5465-Investments in General Financial & Trading Institutions – Investments in General Financial Institutions – Investments in Public Sector & Other Undertakings, Banks etc,- Investment in Infrastructure – Mahiti Bonds	3.67	Provision was to be made under Grant No.15 – Information Technology
3.	20 – Public Works	3054 – Roads and Bridges-Assistance to Zilla Panchayats - Zilla Panchayats – Block Grants	103.59	Provision was to be made under Grant No.7 – Rural Development and Panchayat Raj
4.	23 – Labour	2230 – Labour and Employment – Labour – Industrial Relations – Court Arbitration and Arbitration Tribunals – General Expenses	0.16	Provision was to be made under Grant No.27 – Law
5.	24 – Energy	2045 – Other taxes and duties on commodities and services – Collection of Service Tax – Service Tax on Electricity Duty	2.00	Remittance of Service Tax collected on behalf of Government of India does not form part of the expenditure of the State
6.		2801-General-Assistance to Electricity Boards – Karnataka Electricity Board – Karnataka Electricity Regulatory Commission – Grants-in-aid	1.00	Supplementary provision made under voted grant instead of charged appropriation
	<b>Total</b>		<b>110.69</b>	

**Appendix 2.13**

**Flow of expenditure during the four quarters of 2006-07**

**(Reference: Paragraph 2.9, Page 41)**

(Rupees in crore)

Sl. No.	Head of account	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Total	March 2007	Percentage of expenditure in March 07 to total expenditure of 2006-07
1	2404	0	4.21	2.46	8.58	15.25	4.92	32
2	2405	4.28	6.63	7.69	19.63	38.23	13.40	35
3	2406	34.46	81.42	45.79	174.61	336.28	108.80	32
4	2505	4.58	31.06	8.45	31.60	75.69	29.22	39
5	2711	0.04	0.04	0.05	0.60	0.73	0.56	77
6	3425	0.17	0.61	0.86	2.49	4.13	1.91	46
7	4220	0	0	0	2.00	2.00	2.00	100
8	4225	2.42	11.33	21.33	129.32	164.40	64.74	39
9	4235	0	0	0	2.74	2.74	2.13	78
10	4250	0	0.01	0	0.06	0.07	0.06	85
11	4401	0.01	0	0	0.22	0.23	0.22	96
12	4402	0	0.78	1.20	1.87	3.85	1.30	34
13	4403	0	0	0	7.51	7.51	7.51	100
14	4405	0	0.21	0.14	12.92	13.24	12.44	94
15	4515	0	0	0	176.35	176.35	176.06	100
16	4701	787.15	550.39	1,127.81	1,258.66	3,724.01	1,111.00	30
17	4702	113.26	30.87	53.22	159.93	357.28	108.03	30
18	4705	0	0	0	0.40	0.40	0.40	100
19	4711	1.92	2.19	1.40	15.12	20.63	11.54	56
20	4801	0	0	0	375.00	375.00	375.00	100
21	4851	0	0	0	0.74	0.74	0.25	34
22	5051	0	1.02	1.25	4.67	6.94	2.84	41
23	5475	0	0	0	4.89	4.89	2.45	50

## Appendix 2.14

## Cases of New Service/New Instrument of Service

(Reference: Paragraph 2.10, Page 42)

(Rupees in crore)

Sl. No.	Grant	Head of account	Budget Provision	Expenditure	Excess
1	7-Rural Development and Panchayat Raj	2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 401- Bangalore (Urban)	0.55	2.13	1.58
2		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 403-Chitradurga	1.10	4.29	3.19
3		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 405-Shimoga	0.90	5.20	4.30
4		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 408-Chickmagalur	0.84	3.44	2.60
5		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 409-Dakshina Kannada	0.57	3.03	2.46
6		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 410- Hassan	1.36	4.17	2.81
7		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 413- Belgaum	1.23	6.54	5.31

Sl. No.	Grant	Head of account	Budget Provision	Expenditure	Excess
8		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 415- Dharwar	0.54	4.32	3.78
9		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 416 – Uttara Kannada	1.33	5.22	3.89
10		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 417- Gulbarga	1.63	6.98	5.35
11		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 451 – Davanagere	0.62	3.46	2.84
12		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 462- Gadag	0.66	2.99	2.33
13		2215-Water Supply and Sanitation 01- Water Supply 198-Assistance to Taluk Panchayats 2-Taluk Panchayats 02- Accelerated Rural Water Supply Programme 466- Koppal	0.79	3.87	3.08
14		2505- Rural Employment 60- Other Programmes 196- Assistance to Zilla Panchayats 6- Zilla Panchayats – CSS/CPS 04- State Employment Assurance Scheme (Nemmadi) 403- Chitradurga	0.80	3.39	2.59
15		3054- Roads and Bridges 80- General 196- Assistance to Zilla Panchayats 1- Zilla Panchayats 01- Block Grants 401-Bangalore (Urban)	1.02	3.96	2.94

Sl. No.	Grant	Head of account	Budget Provision	Expenditure	Excess
16		3054- Roads and Bridges 80- General 196- Assistance to Zilla Panchayats 1- Zilla Panchayats 01- Block Grants 405- Shimoga	2.66	14.44	11.78
17		3054- Roads and Bridges 80- General 196- Assistance to Zilla Panchayats 1- Zilla Panchayats 01- Block Grants 407- Mysore	3.18	13.56	10.38
18		3054- Roads and Bridges 80- General 196- Assistance to Zilla Panchayats 1- Zilla Panchayats 01- Block Grants 409- Dakshina Kannada	1.52	4.59	3.07
19		3054- Roads and Bridges 80- General 196- Assistance to Zilla Panchayats 1- Zilla Panchayats 01- Block Grants 457- Udupi	0.93	3.72	2.79
20	8-Forest, Ecology and Environment	4406-Capital Outlay on Forestry and Wildlife 01-Forestry 102-Social and Farm Forestry 2-Other Schemes 80-Forestry and Environment for Eastern Plains (OECF) 132- Capital Expenses	-	3.66	3.66
21	11-Women and Child Development	2235-Social Security and Welfare 02-Social Welfare 101-Welfare of Handicapped 99-Welfare of Physically and Mentally Challenged 100-Financial Assistance / Relief	1.14	5.52	4.38
22	17 – Education	2058-Stationery and Printing 103-Government Presses 09- Karnataka Text Book Society 101-Grants-in-aid	2.00	11.92	9.92
23		2202 – General Education 02 – Secondary Education 101 – Inspection – Salaries	0.09	2.21	2.12
24	19-Urban Development	6217-Loans for Urban Development 60-Other Urban Development Schemes 191-Loans to Local Bodies and Corporations etc., 2-Bangalore Metropolitan Regional Development Authority Loans for Karnataka Infrastructure Project ADB 81-FRGL-4501 E Digital Mapping Information System for Bangalore (BDA) 395-Loans to PSUs and Local Bodies	-	1.68	1.68



Sl. No.	Grant	Head of account	Budget Provision	Expenditure	Excess
25	20-Public Works	3054-Roads and Bridges 03-State Highways 102-Bridges 01-Repairs to Bridges 200-Maintenance	4.69	30.68	25.99
26		3054-Roads and Bridges 03-State Highways 337-Road Works 01- Ordinary Repairs of Roads 059-Other Expenses	0.09	17.49	17.40
27	21-Water Resources	4702-Capital Outlay on Minor Irrigation 101-Surface Water 1-Water Tanks-Construction of New Tanks, Pick ups, etc. 07-Modernisation of Tanks by NABARD 139- Major Works	0.50	33.47	32.97
28		4702-Capital Outlay on Minor Irrigation 101-Surface Water 9-Capital Release to Grama Panchayats 06-Restoration of Old and Breached Tanks and Desilting of Tanks 132- Capital Expenses	1.96	22.37	20.41
29	22-Health and Family Welfare	6210-Loans for Medical and Public Health 01-Urban Health Services 800-Other Expenditure 80-Upgradation of Secondary Level Health Care	-	3.01	3.01
<b>Total</b>			<b>32.70</b>	<b>228.30</b>	<b>198.61</b>

**Appendix 2.15**  
**Expenditure without budget provision**  
**(Reference: Paragraph 2.11, Page 42)**

(Rupees in crore)

Sl. No.	Grant	Head of account	Amount
01	03-Finance	2071- Pensions and Other Retirement Benefits 01- Civil 101- Superannuation and Retirement Allowances 04- Payment of Pensionary Charges to other Government under the State Re-organisation Act,1956 01-Andhra Pradesh 251- Pension and Retirement Benefits	2.17
02	08-Forest, Ecology and Environment	2406- Forestry and Wildlife 01- Forestry 102- Social and Farm Forestry 02- Other Schemes 11- Social Forestry Project (MNP)(State Sector) 139- Major Works	0.01
03		2406- Forestry and Wildlife 01- Forestry 102- Social and Farm Forestry 02- Other Schemes 80- Forestry and Environment Project for Eastern Plains (OGCF) 139- Major Works	0.34
04		2406- Forestry and Wildlife 02- Environmental Forestry and Wildlife 110- Wildlife Preservation 40- India Eco-Development Project 139- Major Works	0.03
05	8-Forest, Ecology and Environment	4406-Capital Outlay on Forestry and Wildlife 01-Forestry 102-Social and Farm Forestry 2-Other Schemes 80-Forestry and Environment for Eastern Plains (OECF) 132- Capital Expenses	3.66
06		6406- Loans for Forestry and Wild Life 101-Forest Conservation Development and Regeneration 81- Karnataka Sustainable Forest Management and Bio-Conservation Project IDP 163	0.04
07	12-Information, Tourism and Youth Services	2204- Sports & Youth Services 800- Other Expenditure 12- Financial Assistance to Sports Persons and Wrestlers in Indigent Circumstances 251- Pension and Retirement Benefits	0.06
08	18-Commerce and Industries	2852- Industries 80- General 01- Direction & Administration 02- Director of Silk Industries 90- Deduct amount transferred to various Government Silk Filatures 261- Inter Account Transfer	0.97

Sl. No.	Grant	Head of account	Amount
09		2217- Urban Development 05- Other Urban Development Schemes 800- Other Expenditure 80- General 51- General Expenses	0.72
10	19 – Urban Development	6217- Loans for Urban Development 60- Other Urban Development Schemes 191- Loans to Local bodies and Corporations, etc. 3- Loans to Trust Boards for Information of Layouts/Extension 80- Karnataka Infrastructural Project 395- Loans to PSUs and Local Bodies	0.95
11		6217-Loans for Urban Development 60-Other Urban Development Schemes 191-Loans to Local Bodies and Corporations etc., 2-Bangalore Metropolitan Regional Development Authority Loans for Karnataka Infrastructure Project ADB 81-FRGL-4501 E Digital Mapping Information System for Bangalore (BDA) 395-Loans to PSUs and Local Bodies	1.68
12	22-Health and Family Welfare	2210- Medicals Public Health 01- Urban Health 110- Hospitals and Dispensaries 02- Major Hospitals 83- Karnataka Health Systems Project 101- Grants-in-Aid	0.25
13		6210- Loans for Medical & Public Health 01- Urban Health Services 800- Other Loans 80- Upgradation of secondary level health care	3.01
14		6210- Loans for Medical & Public Health 01- Urban Health Services 800- Other Loans 81- Upgrading Health Facility in Karnataka	0.58
15	29-Debt Servicing	2049- Interest payments 01- Interest Internal Debt 101- Interest on Market Loans 2- Interest on Loans in Course of discharge 26- 14% KSDL 2005 (I issue dated 16.5.95) 240- Debt servicing	0.01
16		2049- Interest payments 04- Interest on loans and advances from Central Govt. 101- Interest on loans for State Plan Schemes 02- Back to Back – External Loans 240- Debt servicing	0.53
17		2049- Interest payments 04- Interest on loans and advances from Central Govt 101- Interest on loans for State Plan Schemes 02- Back to Back – External Loans 241- Commitment charges	0.97
18		2049- Interest payments 04- Interest on loans and advances from Central Govt 104- Interest on loans for Non-plan Schemes 240- Debt servicing	13.66
	<b>Total</b>		<b>29.65</b>

**Appendix 2.16**  
**Sanctions from Contingency Fund not fully utilised**  
**(Reference: Paragraph 2.12, Page 42)**

(Rs. in crore)

Sl.No.	Head of account	Sanction No. and Date	Amount		Per cent
			Sanctioned	Drawn	
1	2014 – Administration and Justice	FD 23 BCF 2006 DT. 12.06.2006	1.80	1.21	67
2		FD 30 BCF 2006 DT, 16.08.2006	2.40	2.09	87
3		FD 24 BCF 2006 DT. 13.06.2006	3.60	3.15	87
4		FD 03 BCF 2007 DT. 06.03.2007	0.25	0.17	68
5	2045 – Taxes on Duties and Commodities	FD 22 BCF 2006 DT, 23.06.2006	0.70	0.53	76
6	2052 – Secretariat General Services	FD 36 BCF 2006 DT. 09.11.2006 FD 01 BCF 2007 DT. 12.01.2007 FD 08 BCF 2007 DT. 09.03.2007	0.60	0.47	78
7	3456 – Civil Supplies	FD 38 BCF 2006 DT. 23.11.2006	1.09	0.38	35

**Appendix-3.1**

**(Reference: Paragraph 3.2.6.1, Page 62)**

**Date-wise receipt of funds and release of funds to ULBs under  
SJSRY scheme**

(Rupees in crore)

Year	Central Share	Date of release	State share	Date of Release	Release made to ULB	Delay (months)
<b>2002-03</b>	2.34	27.11.2002	0.82	30.01.2003	Apr 03	3
	1.12	30.01.2003	0.82	19.02.2003	May 03	2
<b>2003-04</b>	2.89	02.07.2003	0.82	02.08.2003	Oct 03	1
<b>2004-05</b>	3.23	28.06.2004	0.96	July 2004	Feb 05	6
	5.00	28.12.2004	1.67	02.05.2005	May-05	4
	1.00	29.03.2005	0.33	02.05.2005	Jun-05	1
<b>2005-06</b>	4.11	03.08.2005	1.37	13.09.2005	Oct 05	1
	4.12	17.11.2005	1.37	04.01.2006	Feb 06	1
<b>2006-07</b>	7.08	28.06.2006	2.36	11.08.2006	Oct 06	2
	7.09	19.12.2006	2.36	05.03.2007	Jun 07	5
<b>Total</b>	<b>37.98</b>		<b>12.88</b>			

### Appendix 3.2

(Reference: Paragraph 3.2.6.4, Page 63)

#### Diversion of funds under IDSMT

(Rupees in lakh)

Sl. No.	Name of the ULB	Purpose to which fund was utilized	Amount Diverted
01	CMC, Hassan	Construction of road works and convention hall not approved in the project report	80.30
02		Payment towards land compensation	1.67
03	CMC, Tumkur	Compensation to land owners on the orders of the civil court	23.83
04	CMC, Shimoga	Paid to CMC Shikaripura	12.46
05	TMC, Hosakote	Un-approved work of purchase of electrical and water supply works	10.53
06	TMC, Kanakpura	Un-approved work of construction of storm water drains	20.90
07	TMC, Devanahalli	Un-approved work of drilling 4 borewells	3.00
08	TMC, Arsikere	Construction of TMC office building	42.92
09	CMC, Gadag	4 unapproved works of constructing shopping complex	48.74
10	TMC, Gajendragad	Construction of office complex undertaken out of unspent balances with sanction of DMA not conforming to objectives	35.50
11	CMC, Tumkur	Construction of Private Bus stand	101.73
12	TMC, Tiptur	Diverted to Municipality funds(Flood Relief works)	24.53
		<b>TOTAL</b>	<b>406.11</b>

**Appendix 3.3**

**(Reference: Paragraph 3.2.6.4, Page 63)**

**Diversion of funds out of XI Finance Commission Grants**

(Rupees in lakh)

Sl. No.	Name of the ULB	Purpose to which fund was utilised	Amount Diverted
01	CMC Tumkur	Office Building	7.60
02	CMC Bhadravathi	Financial Assistance given to SC/ST	9.95
03	TMC Thirthahalli	Financial Assistance given to SC/ST	1.98
04	TP Jog-Kargal	Financial Assistance given to SC/ST	1.66
05	TP Honnali	Other United Works	6.98
06	CMC Raichur	Road works	45.05
07	TMC Athani	State Finance Commission	2.90
08	CMC Doddabalpur	Citizen Service centre	7.78
09	TP Hungund	TP Office Building	11.29
10	TP Kunigal	KUWSSB	1.00
11	CMC Hassan	Execution of 4 works	16.13
12	CMC Dodaballapur	Purchase of High mast lights	16.09
13	CMC Channapatana	2 Miscellaneous Works	1.61
14	CMC Holenarsipur	Chainlink fencing of public park	5.42
15	TMC Naragund	2 works	5.93
16	CMC Ramnagara	Works not specified in the guidelines	3.14
17	TMC Mundargi	Formation of new road	19.92
18	TMC Mudubidri	High mast light	0.99
19	12ULBs of Bagalkot	Construction of Ambedkar Bhavan	23.00
<b>Total</b>			<b>188.42</b>

## Appendix 3.4

(Reference: Paragraph 3.5.9.4, Page 111)

## Short-recovery of CA

(Rupees in lakh)

Division	Area in ha	Purpose	Period	Amount due to be recovered	Amount recovered	Short recovery	Remarks
Mangalore	9.21	Pipeline/ transmission line	2000- 01	10.39	-	10.39	CA charges for excess use of land (used 24.08 ha) not recovered.
Belgaum	1.00	Micro wave station	2006	0.86	-	0.86	Omissions to recover penal CA charges from user agency
Bangalore Rural	35.20	Minor Irrigation	1981	4.32	2.16	2.16	Non-recovery of CA charges as per norms for CA in degraded forests
Bidar	9.13 (two cases)	Minor Irrigation	1984 1986	38.70	0.05	38.65	CA charges for excess use of land (used 42.85 ha) not recovered
Gadag	65.74	Wind power	2004	32.93	-	32.93	Cost of raising medicinal plants not recovered from the user agency
<b>TOTAL</b>	<b>120.28</b>			<b>87.2</b>	<b>2.21</b>	<b>84.99</b>	



**Appendix 3.5**

(Reference: Paragraph 3.6.2, Page 116)

**Statement of incorrect computation of (maintenance expenditure)  
admissible grants**

(Amount in Rupees)

<b>Sl. No.</b>	<b>Name of the institution</b>	<b>2004-05</b>	<b>2005-06</b>	<b>Total</b>
1.	Dr. Ambedkar Institute of Technology, Bangalore	1,58,853	1,96,983	3,55,836
2.	PDA College of Engineering, Gulbarga	1,11,977	--	1,11,977
3.	BV Bhoomaraddi College of Engineering, Hubli	1,33,090	1,30,798	2,63,888
4.	Jayachamarajendra College of Engineering, Mysore	1,28,643	1,21,258	2,49,901
5.	PES College of Engineering, Mandya	4,30,672	11,250	4,41,922
6.	National Institute of Engineering, Mysore	20,657	--	20,657
7.	Malnad College of Engineering, Hassan	18,862	18,862	37,724
8.	BVVS College of Engineering, Bagalkot	1,63,126	--	1,63,126
9.	BMS College of Engineering, Bangalore	1,61,870	--	1,61,870
10.	JSS Polytechnic for Physically Handicapped, Mysore	--	14,282	14,282
11.	BVVS Polytechnic, Bagalkot	58,836	55,921	1,14,757
12.	JSS Polytechnic for Women, Mysore	--	32,897	32,897
13.	APS Polytechnic, Bangalore	3,750	--	3,750
14.	MEI Polytechnic, Bangalore	10,897	--	10,897
15.	MEI Polytechnic (Evening), Bangalore	3,750	--	3,750
16.	KHK Institute of Engineering (Polytechnic), Dharwad	13,750	--	13,750
	<b>Total</b>	<b>14,18,733</b>	<b>5,82,251</b>	<b>20,00,984</b>

**Appendix 3.6**  
**(Reference: Paragraph 3.6.2, Page 116)**

**Statement showing the details of excess release of grants to aided institutions for the period 2002-03 to 2005-06**

(Amount in Rupees)

Sl. No.	Name of the college	Excess grants released					Non-remittance of 50 per cent of fees collected		
		2002-03	2003-04	2004-05	2005-06	Total	2002-03	2003-04	Total
1.	Dr. Ambedkar Institute of Technology, Bangalore	0	0	12643685	2901219	15544904	8645000	9352000	17997000
2.	BMS College of Engineering, Bangalore	0	0	3444064		3444064	0	8724500	8724500
3.	BMS College of Engineering (Evening), Bangalore	0	0			0	2257000	2678500	4935500
4.	Jayachamarajendra College of Engineering, Mysore	7244595	0	15681885	13276465	36202945	10173000	11009500	21182500
5.	National Institute of Engineering, Mysore	0	0	13335983		13335983	6323250	7114500	13437750
6.	B.V.Bhoomaraddi College of Engineering, Hubli	3075804	5962183	5644183	3757160	18439330	4695000	4830000	9525000
7.	BVVS College of Engineering, Bagalkot	3941945	0	1509210		5451155	5201500	5932000	11133500
8.	PDA College of Engineering, Gulbarga	6744873	0	15080383		21825256	5597500	6345500	11943000
9.	PES College of Engineering, Mandya	8370885	0	1438195	0	9809080	5651500	6130000	11781500
10.	Malnad College of Engineering, Hassan	0	0	4464719	995554	5460273	6429000	6957000	13386000
11.	Impact Polytechnic, Bangalore	0	1412151	1679650		3091801	0	0	0
12.	MEI (Evening) Polytechnic, Bangalore	0	251018	0		251018	309950	416100	726050
13.	MEI Polytechnic, Bangalore	0	0	0		0	1357800	1413750	2771550
14.	Anjuman-E-Islam Polytechnic, Gadag	0	0	706028	300336	1006364	0	0	0
15.	APS Polytechnic, Bangalore	1036637	209563	0		1246200	702200	699350	1401550
16.	TMEI Polytechnic, Hospet	0	1058088	1606421		2664509	0	0	0
17.	Tippu Shaheed Polytechnic, Hubli	0	1378663	1506378		2885041	0	0	0
18.	JSS Polytechnic for Women, Mysore	0	0	0	160526	160526	0	0	0
19.	Al-Khateeb Polytechnic, Bangalore	0	0	516130		516130	0	0	0
20.	BVVS Polytechnic, Bagalkot	0	0	276915	0	276915	537260	905010	1442270
21.	JSS Polytechnic for physically handicapped, Mysore	1387457	0	0	0	1387457	0	0	0
22.	Bharateesh Polytechnic, Belgaum	0	680695	760256		1440951	0	0	0
23.	NRAM Polytechnic, Nitte	0	0	4547621		4547621	0	0	0
24.	RNS Polytechnic, Sirsi	0	140468	195048		335516	0	0	0
25.	CVC Rural Polytechnic, Hungund	0	98063	910782		1008845	0	0	0
26.	NV Polytechnic, Gulbarga	0	365356	(-)1664176	2412758	1113938	0	0	0
27.	Rural Polytechnic, Haunsbhavi	0	391322	1155587		1546909	0	0	0
28.	Bapuji Polytechnic, Davanagere	0	0	3000946	464222	3465168	0	0	0
29.	JSS Polytechnic, Nanjangud	0	97973	865979		963952	0	0	0
30.	KVT Polytechnic, Chickaballapur	0	0	1524713		1524713	0	0	0
31.	KCT Polytechnic, Gulbarga	0	1949682	2464364		4414046	0	0	0

Sl. No.	Name of the college	Excess grants released					Non-remittance of 50 per cent of fees collected		
		2002-03	2003-04	2004-05	2005-06	Total	2002-03	2003-04	Total
32.	Gomatesh Polytechnic, Belgaum	0	1815374	1998690		3814064	0	0	0
33.	HMS Polytechnic, Tumkur	0	2253348	2444108		4697456	0	0	0
34.	Marata Mandal Polytechnic, Belgaum	0	1222472	1507061		2729533	0	0	0
35.	STJ Polytechnic, Harapanahalli	0	357463	445123		802586	0	0	0
36.	SJES Rural Polytechnic, Tarihal	0	1147969	563823		1711792	0	0	0
37.	SJM Polytechnic, Chitradurga	0	1002993	656926	846566	2506485	0	0	0
38.	Jawaharlal Nehru Polytechnic, Thanakushnoor	0	474794	2993185		3467979	0	0	0
39.	Sanjay Memorial Polytechnic, Sagar	0	0	2209097		2209097	0	0	0
40.	KHK Institute of Engineering (Polytechnic), Dharwad	162482	0	0		162482	1098750	1149300	2248050
41.	RTES Rural Polytechnic, Hulkoti	0	747603	287640		1035243	0	0	0
42.	D. Bhanumaiah Polytechnic, Mysore	0	0	1038954		1038954	0	0	0
43.	R.S.Vastrad Rural Polytechnic, Guledgudd	0	0	898242		898242	0	0	0
<b>Total</b>		<b>31964678</b>	<b>23017241</b>	<b>108337798</b>	<b>25114806</b>	<b>188434523</b>	<b>58978710</b>	<b>73657010</b>	<b>132635720</b>

**Appendix 3.7****(Reference: Paragraph 3.7.2.2, Page 119)****Non-furnishing of utilisation certificates**

(Rupees in crore)

<b>Sl. No</b>	<b>Name of the Deputy Commissioners</b>	<b>Years</b>	<b>Amount for UC's due</b>
1.	Deputy Commissioner, Gulbarga	2000-07	107.94
2.	Deputy Commissioner, Kolar	2000-07	42.86
3.	Deputy Commissioner, Tumkur	2000-07	18.75
4.	Deputy Commissioner, Belgaum	2006-07	80.43
5.	Deputy Commissioner, Shimoga	2000-07	27.47
6.	Deputy Commissioner, Chitradurga	2000-06	20.87
7.	Deputy Commissioner, Hassan	2006-07	8.18
8.	Deputy Commissioner, Bangalore(Rural)	2000-01 to 2001-02 and 2005-06 to 2006-07	16.36
	<b>Total</b>		<b>322.86</b>

**Appendix 3.8**  
**(Reference: Paragraph 3.7.2.7, Page 121)**  
**Interest earned on CRF money kept in banks**

(Rupees in lakh)

Name of the implementing office	Period	Closing balance as on 31.3.2007	Interest credited by bank
Executive Engineer, Panchayat Raj Engineering Division, Kolar	2004-05 to 2006-07	124.36	2.93
Executive Engineer, Panchayat Raj Engineering Division, Chikaballapur.	2003-04 to 2006-07	62.27	7.75
Tahsildar, Bangarpet.	2003-04 to 2006-07	3.77	0.14
Executive Engineer, Panchayat Raj Engineering Division, Bangalore(Rural)	2002-03 to 2006-07	41.39	3.98
Tahsildar, Ramanagaram	2003-04 to 2006-07	11.92	0.47
Tahsildar, Hoskote	2000-01 to 2005-06	10.99	0.82
Tahsildar, Gulbarga	2006-07	3.39	0.71
Executive Engineer, Panchayat Raj Engineering Division, Yadgir Taluk, Gulbarga	2003-04 to 2006-07	9.51	5.55
Asst.Executive Engineer, Panchayat Raj Engineering Sub - Division, Yadgir Taluk, Gulbarga	2004-05 to 2006-07	0.42	0.18
Tahsildar,Jewargi Taluk, Gulbarga	2004-05 to 2006-07	40.56	0.76
Executive Engineer, Panchayat Raj Engineering Division, Tumkur	2000-01 to 2006-07	8.39	1.25
Tahsildar, Tumkur	2002-03 to 2006-07	2.30	0.51
DC, Belgaum	2005-06 to 2006-07	*	1.25
Executive Engineer, Panchayat Raj Engineering Division, Belgaum	2005-06 to 2006-07	4.96	4.09
Tahsildar Belgaum	2003-04 to2006-07	19.75	0.67
Tahsildar, Chikodi	2006-07	194.78	14.86
Asst. Executive Engineer, Panchayat Raj Engineering sub-Division, Davangere	2004-05 to 2006-07	2.39	0.10
Executive Engineer, Panchayat Raj Engineering Division, Davangere	2002-03 to2006-07	5.68	2.57
DC,Davangere	2003-04 to 2006-07	*	3.91
Tahsildar Shikaripur, Shimoga	2003-04 to 2006-07	5.10	0.31
Executive Engineer, Panchayat Raj Engineering Division, Shimoga	2000-01 to 2006-07	9.51	3.44
Executive Engineer, Panchayat Raj Engineering Division, Sagar division, Shimoga	2000-01 to 2005-06	*	22.39

Name of the implementing office	Period	Closing balance as on 31.3.2007	Interest credited by bank
Executive Engineer, Panchayat Raj Engineering Division, Hassan	2002-03 to 2006-07	153.29	2.74
Executive Engineer, Panchayat Raj Engineering Division, Channarayapatna, Hassan	2001-02 to 2006-07	5.22	4.47
Tahsildar, Channarayapatna, Hassan	2000-01, 2001-02, 2002-03, 2004-05	*	0.43
Tahsildar, Madhugiri, Tumkur	2004-05 to 2006-07	1.39	0.35
Executive Engineer, Panchayat Raj Engineering Division, Madhugiri	2001-02 to 2006-07	2.12	2.27
Tahsildar, Chitradurga	2006-07	1.59	0.05
Tahsildar, Hiriur, Chitradurga	2000-01 to 2006-07	6.90	0.34
D.C., Chitradurga	2004-05 and 2006-07	*	5.20
Executive Engineer, Panchayat Raj Engineering Division, Chitradurga	2004-05 to 2006-07	1.13	0.55
Executive Engineer, Panchayat Raj Engineering Division, Chikodi	2005-06 to 2006-07	24.92	3.84
Executive Engineer, Panchayat Raj Engineering Division, Gulbarga	2005-06 to 2006-07	12.78	0.95
<b>Total</b>		<b>770.78</b>	<b>99.83</b>

\* The closing balance could not be verified as the bank pass books were not readily available with these IOs

**Appendix 3.9**

**(Reference: Paragraph 3.7.3.1, Page 122)**

**Diversion of funds to activities not related to relief measures**

By whom diverted	Period	Amount (Rs in lakh)	Remarks
DC's Gulbarga, Belgaum, Bagalkot, Bijapur, Raichur and Koppal	2006-07	2,300.00	Land acquisition and shifting of villages
DC, Chitradurga	2003-04	59.50	Construction of kitchen under the scheme 'Akshkara Dasoka' – a midday meals scheme to feed all Primary School going children during the year 2003-04.
<b><u>Purchase of vehicle:</u></b>			
Deputy Commissioner, Kolar	February 2007	6.28	Purchase of four wheeler
Deputy Commissioner, Gulbarga	March 2007	5.50	
Deputy Commissioner, Tumkur	March 2007	6.29	
DC, Belgaum	March 2007	5.60	
DC, Davangere	January 2007	5.50	
DC, Shimoga	February 2007	5.50	
DC, Hassan	March 2007	5.50	
DC, Chitradurga	January 2007	4.67	
	<b>Sub-Total</b>	<b>44.84</b>	
Tahsildar, Bangarpet	May 2004	1.25	Details of nature of payment not available.
Executive Engineer, Panchayat Raj Engineering Division, Ramnagaram	2003-04 to 2005-06	15.87	Construction of stadium gallery, Silk marketing centre, compound walls, leveling the floor of bus depot and repair works of High School.
Executive Engineer, Panchayat Raj Engineering Division, Harapanahally.	2002-03 to 2004-05	1.34	For loading and unloading charges, DTP and Xerox charges etc.
Executive Engineer, Panchayat Raj Engineering Division, Shimoga	2005-06 to 2006-07	5.20	Repair of school buildings and purchase of fuel for vehicles.
Executive Engineer, Panchayat Raj Engineering Division, Sagar, Shimoga	2006-07	4.60	Purchase of fuel for vehicles, repair of school buildings, bus stand and compound wall of library.
Executive Engineer, Panchayat Raj Engineering Division, Hassan		2.44	Repairs to Anganwadi building, students hostel, veterinary hostel and primary school buildings
Executive Engineer, Panchayat Raj Engineering Sub-Division, Hassan	2004-05 to 2005-06	0.89	Food grains of 142.79 quintals worth Rs.0.89 lakh were given for labourers doing inadmissible works like repairs of samudhaya bhavan.
Executive Engineer, Panchayat Raj Engineering Division, Channarayapatna, Hassan	2005-06 to 2006-07	11.09	Repairs of Government school buildings, anganwadi buildings and veterinary hospital buildings.
	<b>Sub-Total</b>	<b>42.68</b>	

By whom diverted	Period	Amount (Rs in lakh)	Remarks
D.C, Belgaum	2005-06	195.50	Repairs of BCM hostels
	- do -	748.35	Repairs to main roads to Belgaum City.
	- do -	200.00	Towards improvements of PWD roads at Bailhongal, Kittur, Saundatti and Ramdurg
	- do -	15.82	Repairs to Burial ground at Khanapur
	- do -	20.00	Repairs to DC office at Belgaum
	- do -	5.00	Repairs to Darbar Charvadi, Belgaum
	- do -	2.49	Repairs of Chikodi office, Belgaum
	- do -	30.00	Repairs to Tahsildar office/Chavadi buildings
	- do -	30.00	Repairs to Ranga mandir Buildings, Belgaum
	- do -	71.95	Towards Yellamma-Gudda temple renovation at Belgaum
	- do -	25.12	Towards repairs to District Stadium, Belgaum
	- do -	10.00	Improvements to Regional Commissioner office at Belgaum
	2006-07	15.00	Improvements to Asst. Commissioner's office and Chavadi at Belgaum.
	-do-	27.00	Towards repairs to District Stadium, Belgaum.
	-do-	2.00	Repairs to Guest house.
	-do-	8.30	Improvements\repairs to heavy rain affected D.P.O office building at Belgaum.
	2004-05	1.50	To Secretary, Infantry Institute Golf Club, Infantry School, Belgaum for planting trees and beautifying the surroundings
		139.00	Released to Belgaum Traffic division of North West Karnataka Road Transport Corporation(NWKRTC) and to Chikkodi Traffic Division of NWKRTC for asphaltting of the parking area of depot and bus-station
	<b>Sub-total</b>	<b>1,547.03</b>	
Executive Engineer, Panchayat Raj Engineering Division, Belgaum	2005-06 to 2006-07	48.95	Repairs to Primary Health Centre buildings, Horticulture and Sericulture office buildings, hand pumps and drilling of bore well, A.N.M centre buildings, Quarters, veterinary hospitals, Gram panchayat buildings, bus stop buildings, Tahsildar office buildings, hostels <i>etc.</i>
Tahsildar, Chikodi	2006-07	8.87	Purchase of T.V, computers & Stationery, payment of telephone charges, , rent paid for vehicles <i>etc.</i>



By whom diverted	Period	Amount (Rs in lakh)	Remarks
Executive Engineer, Panchayat Raj Engineering Division, Chikodi, Belgaum	2005-06 to 2006-07	72.73	Repairs to Primary Health Centre buildings, Gram panchayat buildings, A.N.M sub-centres, veterinary hospital buildings, community health centre, Quarters, village accountant offices, chavadi buildings, B.E.O office building, Ambedkar Bhavan <i>etc.</i>
Tahsildar, Belgaum	2006-07	3.48	Purchase of computers at Tahsildar and Asst.commissioner's office at Belgaum.
Executive Engineer, Panchayat Raj Engineering Division, Yadgir, Gulbarga	2004-05	10.86	Construction of ladies toilets.
	<b>Sub-total</b>	<b>144.89</b>	
<b>Payment to III Party Inspection agency</b>			
Deputy Commissioner, Bangalore Rural	2006-07	5.03	Towards the cost of Third Party Inspection of CRF Works.
Deputy Commissioner, Gulbaraga	2006-07	18.47	Towards the cost of Third Party Inspection of CRF Works.
Executive Engineer, Panchayat Raj Engineering Division, Yadgir	2005-06	0.91	Towards the cost of Third Party Inspection of CRF Works.
Executive Engineer, Panchayat Raj Engineering Division, Gulbarga	2006-07	1.67	Towards the cost of Third Party Inspection of CRF Works.
Deputy Commissioner, Tumkur	2006-07	3.18	Towards the cost of Third Party Inspection of CRF Works.
Executive Engineer, Panchayat Raj Engineering Division, Belgaum	2006-07	6.17	Towards the cost of Third Party Inspection of CRF Works.
Executive Engineer, Panchayat Raj Engineering Division Chikodi, Belgaum	2006-07	3.50	Towards the cost of Third Party Inspection of CRF Works.
Deputy Commissioner, Davangere	2005-06 to 2006-07	6.00	Towards the cost of Third Party Inspection of CRF Works.
DC, Shimoga	2006-2007	8.16	Towards the cost of Third Party Inspection of CRF Works.
DC, Chitradurga	2006-2007	3.71	Towards the cost of Third Party Inspection of CRF Works.
	<b>Sub-Total</b>	<b>56.80</b>	
Executive Engineer, Panchayat Raj Engineering Division, Kolar	2005-06	0.20	Celebration of Republic day and Rajyotsava day.
Asst. Executive Engineer, Panchayat Raj Engineering sub-Division, Davangere	2006-07	0.25	For Xeroxing, payment of insurance of vehicle, DTP charges <i>etc.</i>
Executive Engineer, Panchayat Raj Engineering Division, Davangere	2003-04 to 2004-05	0.74	Xerox charges, DTP payments, purchase of stationery <i>etc.</i>
	<b>Grand Total</b>	<b>4,196.93</b>	

### Appendix 4.1

(Reference: Paragraph 4.2.3, Page 139)

#### Excess payment towards consolidation of metal during the period 2001-06 (at tender rates)

Sl No.	Division	Number of works	Loose quantity executed (cum)	Compacted quantity to be paid (cum)	Excess quantity paid (cum)	Excess payment (Rs)
1	Karwar	20	1,27,012	95,498	31,514	10,76,231
2	Yadgir	19	1,08,699	81,729	26,970	11,27,820
3	Gulbarga	19	1,05,198	79,096	26,102	13,18,224
4	Bidar	11	52,878	39,758	13,120	4,87,507
5	Bellary	31	2,12,866	1,60,049	52,817	16,57,874
<b>TOTAL</b>		<b>100</b>	<b>6,06,653</b>	<b>4,56,130</b>	<b>1,50,523</b>	<b>56,67,656</b>

**Appendix 4.2**

**(Reference: Paragraph 4.2.3, Page 140)**

**Estimated excess payment made for compacted quantity of metal during the 2001-02 to 2005-06**

<b>Sl No.</b>	<b>Zone</b>	<b>Number of works</b>	<b>Loose quantity executed (cum)</b>	<b>Compacted quantity (cum)</b>	<b>Excess quantity (cum)</b>	<b>Estimated excess payment (Rs)</b>
1	South	1,033	28,20,207	21,20,456	6,99,751	2,44,91,285
2	North	311	17,55,070	13,19,601	4,35,469	1,52,41,415
<b>TOTAL</b>		<b>1,344</b>	<b>45,75,277</b>	<b>34,40,057</b>	<b>11,35,220</b>	<b>3,97,32,700</b>

**Appendix-4.3****(Reference: Paragraph 4.2.5, Page 142)****Statement showing wasteful expenditure incurred by the Board on execution of water supply works for KMF unit at Shettihalli**

<b>Sl. No.</b>	<b>Name of the pipe</b>	<b>Type of work</b>	<b>Quantity executed</b>	<b>Rate (Rs.)</b>	<b>Amount (Rs.)</b>
1.	150 mm K 9 DI pipe	Supply	3,830 Rmtr	1,116.85/ Rmtr	42,77,535.50
2.	150 mm K 7 DI Pipe	Supply	3,040 Rmtr	835.80/ Rmtr	25,40,832.00
3.	150 mm K 9 DI pipe	Laying	3,830 Rmtr	11.63/ Rmtr	44,542.90
4.	150 mm K 7 DI Pipe	Laying	3,040 Rmtr	11.63/ Rmtr	35,355.20
5.	Cost of pumping machinery and installation				14,31,000.00
<b>Total</b>					<b>83,29,265.60</b>

**Appendix 4.4**  
**(Reference: Paragraph 4.2.5, Page 142)**  
**Statement showing additional expenditure incurred on procurement of**  
**DI and PVC pipes**

Sl. No.	Name of the pipe	Executed quantity (running meters)	Prevailing RC rates (Rs.)	Quoted rates (Rs.)	Difference (Rs.)	Amount (Rs.)
<b>Water supply scheme to Sravanabelagola - DI pipes</b>						
1.	300 mm K 9 DI pipe	3,890	2,249.20	2,499.85	250.65	9,75,029
2.	300 mm K 7 DI Pipe	2,999.50	2,093.80	2,321.29	227.49	6,82,356
3.	250 mm K 7 DI Pipe	4,200	1,625.40	1,755.85	130.45	5,47,890
<b>Water supply scheme to Sravanabelagola - PVC pipes</b>						
4.	90 mm 6 Kg/Sq.cm	6,800	81.50	99.20	17.70	1,20,360
5.	110 mm 6 Kg/Sq.cm	5,600	118.10	140.86	22.76	1,27,456
6.	160 mm 6 Kg/Sq.cm	8,500	290.25	342.24	51.99	4,41,915
7.	200 mm 6 Kg/Sq.cm	2,100	458.15	537.67	79.52	1,66,992
<b>Water supply scheme to Shettihalli - PVC pipes</b>						
8.	200 mm Ringtite pipe	6,570	458.15	517.44	59.29	3,89,535
<b>Total</b>						<b>34,51,533</b>

**Appendix 4.5**  
**(Reference: Paragraph 4.3.3, Page 145)**  
**Statement showing the details of power factor penalty paid by**  
**KUWS&DB divisions**

(In Rupees)

Sl. No.	Name of the Division installation	2002-03	2003-04	2004-05	2005-06	2006-07	Total
<b>I</b>	<b>Gadag</b>						
	HT-7 Korlahalli	-	85,901	91,915	-	23,508	2,01,324
	HT-8 Mundargi	2,132	26,359	1,25,261	3,36,914	-	4,90,666
	HT-9 Dambala	10,306	32,630	14,851	-	-	57,787
	<b>Total</b>	<b>12,438</b>	<b>1,44,890</b>	<b>2,32,027</b>	<b>3,36,914</b>	<b>23,508</b>	<b>7,49,777</b>
<b>II</b>	<b>Bellary</b>						
	MHT-1 Moka High Lift	41,227	2,29,285	1,16,770	1,02,462	13,228	5,02,972
	MHT-2 Moka Low Lift	4,058	54,557	78,260	-	-	1,36,875
	HT-34 Allipur	11,500	62,735	-	-	-	74,235
	<b>Total</b>	<b>56,785</b>	<b>3,46,577</b>	<b>1,95,030</b>	<b>1,02,462</b>	<b>13,228</b>	<b>7,14,082</b>
<b>III</b>	<b>Gulbarga</b>						
	GHTP-8	-	42,942	19,047	-	-	61,989
	KTRHT-1	30,927	5,28,482	6,18,358	78,720	7,24,874	19,81,361
	SDBHT-2	-	1,88,541	8,80,448	13,92,550	14,89,845	39,51,384
	<b>Total</b>	<b>30,927</b>	<b>7,59,965</b>	<b>15,17,853</b>	<b>14,71,270</b>	<b>22,14,719</b>	<b>59,94,734</b>
<b>IV</b>	<b>Dharwar</b>						
	HT-1 Saundatti	-	1,46,578	40,404	-	-	1,86,982
	HT-11 Saundatti	63,962	1,71,333	63,446	-	-	2,98,741
	HT-7 A&B Kanvihonnapur	-	56,269	1,42,213	8,374	6,12,475	8,19,331
	AB HT-1 Saundatti	-	3,67,939	-	-	-	3,67,939
	<b>Total</b>	<b>63,962</b>	<b>7,42,119</b>	<b>2,46,063</b>	<b>8,374</b>	<b>6,12,475</b>	<b>16,72,993</b>
	<b>Grand Total</b>	<b>1,64,112</b>	<b>19,93,551</b>	<b>21,90,973</b>	<b>19,19,020</b>	<b>28,63,930</b>	<b>91,31,586</b>

**Appendix 4.6**

**(Reference: Paragraph 4.5.1, Page 153)**

**Excess Payment of Family Pension**

(Rupees in lakh)

Sl.No.	District	No. of cases	Amount	Period
1	Bagalkot	18	4.15	4/03 - 9/06
2	Bangalore (Rural)	11	6.60	4/98 - 9/06
3	Bangalore (Urban)	1	0.93	12/02 - 7/06
4	Belgaum	17	2.21	1/03 - 6/06
5	Bellary	7	1.04	1/05 - 7/06
6	Bidar	13	4.57	5/02 - 10/06
7	Bijapur	32	7.79	1/04 - 12/06
8	Chamarajanagar	8	0.57	6/05 - 4/06
9	Chikmagalur	14	1.69	1/04 - 5/06
10	Davanagere	23	4.21	4/04 - 7/06
11	Dharwar	10	2.96	4/03 - 12/06
12	Gadag	7	2.96	3/05 - 9/06
13	Gulbarga	60	21.55	11/99 - 12/06
14	Hassan	43	5.65	9/04 - 10/06
15	Haveri	10	1.95	9/04 - 8/06
16	Hubli	9	8.85	4/98 - 7/06
17	Karwar	22	9.68	4/98 - 12/06
18	Kolar	31	6.00	7/02 - 4/06
19	Koppal	22	4.70	1/03 - 7/06
20	Madikeri	2	0.14	9/06 - 12/06
21	Mandya	5	1.42	4/98 - 5/06
22	Mangalore	21	3.22	2/03 - 11/06
23	PPT	60	6.72	4/05 - 10/06
24	Raichur	16	2.28	6/02 - 3/06
25	Shimoga	10	2.47	10/04 - 5/06
26	Tumkur	91	25.66	4/98 - 1/07
27	Udupi	13	1.50	10/03 - 10/06
	<b>Total</b>	<b>576</b>	<b>141.47</b>	<b>4/98 - 12/06</b>

**Appendix 4.7****(Reference: Paragraph 4.5.1, Page 153)****Continued Excess Payment of Family Pension**

<b>Sl.No.</b>	<b>District</b>	<b>No. of Cases</b>	<b>Amount (Rs. in lakh)</b>	<b>Period</b>
1	Bangalore (Rural)	2	0.78	4/04 - 9/06
2	Belgaum	47	10.90	7/03 - 12/06
3	Bijapur	8	2.02	1/05 - 12/06
4	Chikkamagalur	4	0.77	5/04 - 5/06
5	Chitradurga	13	1.28	8/05 - 7/06
6	Davanagere	2	0.46	7/05 - 7/06
7	Dharwar	2	0.78	6/04 - 12/06
8	Gadag	3	0.57	10/05 - 9/06
9	Gulbarga	24	12.93	1/04 - 12/06
10	Hassan	8	1.12	12/05 - 10/06
11	Karwar	1	0.22	6/04 - 1/06
12	Kolar	17	4.93	12/03 - 11/06
13	Koppal	15	2.35	7/03 - 7/06
14	Mangalore	2	0.34	4/05 - 11/06
15	PPT	9	2.10	10/05 - 9/06
16	Raichur	1	0.15	8/04 - 3/06
17	Shimoga	1	0.15	6/05 - 5/06
18	Udupi	2	0.18	11/05 - 8/06
		<b>161</b>	<b>42.03</b>	<b>7/03 - 12/06</b>



**Appendix 4.8**

(Reference: Paragraph 4.6.1.1, Page 156)

**Details of Departmental Notes pending as of 30 September 2007  
(Excluding General and Statistical Paragraphs)**

Sl. No	Department	Audit Report (Civil)										
		1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	Total
1.	Animal Husbandry & Veterinary Services	-	-	-	1	-	1	-	-	-	1	3
2.	Commerce and Industries	-	-	1	-	-	1	-	-	-	-	2
3.	Ecology and Environment	-	-	-	-	-	-	1	-	-	-	1
4.	Education	-	-	-	-	-	-	-	1	1	-	2
5.	Finance	-	-	-	-	-	1	-	-	-	-	1
6.	Food, Civil Supplies and Consumer Affairs	-	-	-	-	-	-	-	-	-	1	1
7.	Forest	-	-	-	-	-	-	-	1	1	-	2
8.	Health & Family Welfare	3	-	-	-	2	1	-	-	-	-	6
9.	Housing	1	-	-	-	-	-	-	-	-	1	2
10.	Information, Tourism, Youth Services & Sports	-	-	-	-	1	-	-	-	-	-	1
11.	Information Technology and Bio-technology	-	-	-	-	-	-	-	-	-	1	1
12.	Kannada and Culture	-	-	-	-	-	-	-	-	-	1	1
13.	Labour	-	-	-	-	-	-	1	-	1	-	2
14.	Legislature Secretariat	-	-	-	-	1	-	-	-	-	-	1
15.	Minor Irrigation	-	-	1	-	-	-	-	-	1	2	4
16.	Planning	-	-	-	-	1	-	-	-	-	-	1
17.	Public Works	-	-	-	-	-	-	-	-	1	-	1
18.	Revenue	-	-	1	-	-	-	-	-	-	-	1
19.	Social Welfare	2	-	2	1	1	1	-	-	-	-	7
20.	Urban Development	-	-	-	-	-	-	-	-	-	6	6
21.	Water Resources	-	-	-	-	-	-	-	1	1	2	4
22.	Women and Child Development	-	-	-	-	-	-	-	1	-	-	1
23.	Forest, Home & Transport	-	1	-	-	-	-	-	-	-	-	1
24.	Health & Family Welfare, P W and RDPR	-	-	-	-	-	-	-	1	-	-	1
<b>Total</b>		<b>6</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>6</b>	<b>15</b>	<b>53</b>

## Appendix - 4.9

(Reference: Paragraph 4.6.1.2, Page 157)

## Paragraphs (excluding General and Statistical paragraphs) yet to be discussed by PAC as of 30 September 2007

Sl. No.	Department	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	2004-05	Total
1.	Agriculture	-	-	-	-	2	-	-	-	-	-	-	-	-	2
2.	Animal Husbandry and Veterinary Services	-	-	-	-	-	3	1	1	2	-	-	-	1	8
3.	Commerce and Industries	-	-	-	-	-	3	2	1	1	-	-	-	-	7
4.	Co-operation	1	-	-	-	-	-	-	-	-	1	-	-	-	2
5.	Ecology and Environment	-	-	-	-	-	-	-	-	1	1	-	-	-	2
6.	Education	2	1	4	5	1	-	1	2	2	1	1	1	-	21
7.	Finance	-	-	-	-	-	-	-	-	1	-	-	-	-	1
8.	Food , Civil Supplies and Consumer Affairs	-	-	-	-	-	-	-	-	-	-	-	-	1	1
9.	Forest	1	-	1	2	-	-	-	-	1	2	1	1	-	9
10.	Health and Family Welfare	3	-	1	4	4	1	2	2	1	-	2	-	-	20
11.	Home	-	2	2	-	2	-	-	2	-	2	1	3	-	14
12.	Horticulture	-	-	-	-	1	1	-	-	-	-	-	-	-	2
13.	Housing	-	-	-	2	-	-	-	-	-	-	-	-	1	3
14.	Information, Tourism, Youth Services & Sports	-	-	-	-	-	2	1	3	-	-	-	-	-	6
15.	Information Technology and Bio-Technology	-	-	-	-	-	-	-	-	-	-	-	2	1	3
16.	Kannada and Culture	-	-	-	-	-	-	2	-	-	-	-	-	1	3
17.	Labour	-	-	-	-	-	-	-	-	-	1	-	1	-	2
18.	Legislature Secretariat	-	-	-	-	-	-	-	1	-	-	-	-	-	1
19.	Minor Irrigation	1	6	3	5	4	3	-	-	-	-	-	3	2	27
20.	Planning	-	-	-	-	-	-	-	1	-	-	-	-	-	1
21.	Public Works	-	2	2	4	1	-	-	-	-	-	-	1	3	13
22.	Revenue	-	-	-	1	1	1	-	1	-	-	-	-	1	5
23.	Rural Development & Panchayati Raj	-	1	-	-	-	-	-	-	-	1	-	-	-	2
24.	Social Welfare	-	-	-	2	-	3	3	1	1	-	-	1	-	11
25.	Transport	-	1	-	-	-	-	-	-	-	-	-	-	-	1
26.	Urban Development	-	-	-	-	-	-	-	-	-	-	-	-	6	6
27.	Water Resources	14	7	7	6	8	7	2	2	2	6	2	2	2	67
28.	Women & Child Welfare	-	-	-	-	1	-	-	-	-	-	1	-	-	2
29.	Agriculture, Forest, Home & Transport	-	-	-	-	1	-	-	-	-	-	-	-	-	1
30.	H&FW, PW, & RDPR	-	-	-	-	-	-	-	-	-	-	1	-	-	1
	<b>Total</b>	<b>22</b>	<b>20</b>	<b>20</b>	<b>31</b>	<b>26</b>	<b>24</b>	<b>14</b>	<b>17</b>	<b>12</b>	<b>15</b>	<b>9</b>	<b>15</b>	<b>19</b>	<b>244</b>

**Appendix 4.10**

**(Reference: Paragraph 4.6.2, Page 157)**

**Year-wise breakup of Outstanding Inspection Reports**

Year	Department of Revenue		Department of Home		Department of Water Resources		Department of Minor Irrigation		Department of Public Works	
	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs
Upto 1996-97	192	431	57	133	31	87	58	80	63	95
1997-98	22	54	12	33	07	09	08	15	14	20
1998-99	52	198	05	09	07	17	07	17	21	34
1999-2000	31	122	14	30	12	29	10	28	14	37
2000-01	44	153	11	25	21	93	13	48	28	69
2001-02	70	271	26	58	16	41	13	36	20	58
2002-03	18	50	21	64	18	79	17	52	35	135
2003-04	64	301	22	84	26	112	23	193	47	287
2004-05	54	212	31	104	40	316	11	130	61	753
2005-06	70	354	19	63	01	14	24	367	12	139
2006-07	--	--	01	03	--	--	--	--	--	--
<b>Total</b>	<b>617</b>	<b>2,146</b>	<b>219</b>	<b>606</b>	<b>179</b>	<b>797</b>	<b>184</b>	<b>966</b>	<b>315</b>	<b>1,627</b>

## Appendix 5.1

(Reference: Paragraph 5.1.13, Page 170)

## Statement showing list of idle machinery

Name of the Press	Name of the Machinery	Year/ Date of Purchase	Quantity	Value (Rs. in lakh)	Period of idling	No. of Years	Reasons
Madikeri	Swift 1200 Multitech Offset Printing Machine	1997-98	1	4.46	2/98	9	Post of off set printer not sanctioned
	PARKS 92 CNC programmable Paper Cutting	1997-98	1	8.93	3/98	9	Not furnished
	TRIDENT Three knife Trimmer	1997-98	1	9.88	3/98	9	Not required as text books are not printed at this press
<b>Total-A</b>			<b>23.27</b>				
Tumkur	Duplo -Digital Duplicator	2000-01	3	16.87	4/2006 5/2005 5/2005	1 2 2	Want of repairs
	Risograph – Duplicator	2000-01 2003-04	1 3	25.67	8/2005	2	Want of repairs
	Gestetner-Duplicator	2004-05	2	13.48	8/2005	2	Want of repairs
	Gestetner – Digital colour Processor	2003-04	1	7.59	2003-04	3	Not furnished
	Gathering Machines	2001-02	2	93.74	2001-02	5	This operation done manually. Hence not utilised
		2004-05	2	99.07	2004-05	2	
	15 Clamp Welbound gluing machine	2004-05	1	31.00	2004-05	2	Not furnished
	3 side trimmer	2004-05	3	61.22	2004-05	2	Not furnished
Automatic folding machine	2005-06	1	20.74	2005-06	1	Not furnished	
<b>Total-B</b>			<b>369.38</b>				
Suburban Press	Web Off set	1984	1	7.28	Not Available		Not furnished
	HMT Cylinder	1981	1	1.92	Not Available		Not furnished
	Grafo	1976	2	3.92	Not Available		Not furnished
	Off Set Machine	1976	2	5.03	Not Available		Not furnished
	Double colour Planeta sheet fed offset printing	Not available	1	Not available	2001-02	5	Due to non-installation
	Countess machines	Not available	2	Not available	2001-02	5	Due to non-installation
	Planeta offset machine	Not available	1	Not available	May 2003	4	For want of repairs
<b>Total-C</b>			<b>18.15</b>				
<b>GRAND TOTAL (A+B+C)</b>				<b>410.80</b>			