

# **Chapter - III**

## **Financial resources and Utilisation**



## CHAPTER III

### Financial resources and utilisation

This chapter reveals gaps in financial resources and their utilisation. The State's minimal allocation of funds for capacity building, preparedness, and mitigation activities hindered its transition from response-oriented approach to disaster risk reduction strategy.

Financial management in the State was deficient due to non-maintenance/incomplete records and lack of reconciliation. Instances of lapsing of grants, parking of funds with banks/implementing agencies, non-submission of utilisation certificates, ineligible expenditures, violation of SDRF norms and unexplained expenditure out of donations from citizens/corporate bodies towards disaster management were noticed.

The funds released by the Centre were poorly documented. The irregular operation of multiple bank accounts at the taluk level further complicated fund tracking and raised concerns about potential misappropriation. Omissions such as the absence of disaster-wise expenditure data, improper maintenance of cashbooks by the district and taluk authorities, mismatch between districts and taluks financial records hindered accurate assessment of fund utilisation by audit.

Management of response activities to notified disasters in the State is funded through the State Disaster Response Fund (SDRF) constituted under Section 48 (1) (a) of the DM Act. The Government of India (GoI) contributes 75 *per cent* of SDRF allocation and the State contributes the balance 25 *per cent*.

The National Disaster Response Fund (NDRF) constituted under Section 46 of the DM Act supplements the SDRF of the State during disasters of severe nature when adequate funds are not available in SDRF. As per recommendations of the XV Finance Commission and accepted by the GoI, the central financial grant-in-aid to the State was renamed as the State Disaster Risk Management Fund (SDRMF) and involves two components *i.e.*, State Disaster Response Fund and State Disaster Mitigation Fund (SDMF). The allocation between the two is in the ratio of 80:20 respectively.

In the State, the Revenue Department (DM) manages the finances for receipt/expenditure towards DM and maintenance of accounts thereon. The SDRF funds are operated through the Treasury at the State and district level and through bank accounts at the taluk level<sup>14</sup>. The SEC is responsible for ensuring that the money drawn from SDRF is utilised for the purpose for which the SDRF was set up, expenditure is incurred on stipulated items as per norms and not diverted for inadmissible expenditure *etc.*

#### 3.1 Finance management

##### 3.1.1 Improper maintenance of financial records

The Karnataka Financial Code, 1958 (Articles 327 to 345) explains the procedure for handling cash and maintenance of its account. Audit, however, observed that besides improper maintenance of cashbook, concurrent records like comprehensive

<sup>14</sup> Government instructed the taluks to operate funds through treasury since 2022-23 onwards.

set of receipt/release orders, reconciliation statements, annual balance confirmation certificates, *etc.*, were also not maintained in the nodal Revenue Department. Non-maintenance of prescribed financial records with periodical reconciliation, despite carrying out financial transactions of high value was, thus, a gross violation of the codal provisions and canons of financial propriety.

In the absence of prescribed financial records, Audit could not ensure the correctness of the receipts and expenditures incurred/exhibited in the financial statements made available to Audit.

The Government replied (August 2024) that directions have been issued to the concerned to maintain records properly and to conduct periodical reconciliation.

### 3.1.2 Receipts and Expenditure

In the absence of necessary financial records at State level, the statement of receipts and expenditure of the State towards disaster management (as furnished by the nodal Revenue Department) for the period 2017-18 to 2022-23 is depicted in **Table 3.1** below.

**Table 3.1: Receipts and Expenditure for disaster management**

(₹ in crore)

Year	OB	NDRF	SDRF		SDMF		Additional grants from State	Total releases	Expenditure
			GoI	State	GoI	State			
2017-18	1235.52	913.04	228.75	76.25	-	-	37.19	2490.75	2,411.61 (97)
2018-19	-	959.84	288.00	32.00	-	-	400.00	1679.84	1,207.22 (72)
2019-20	434.62	2744.26	204.00	132.00	-	-	1500.00	5014.88	4,899.52 (98)
2020-21	-	577.84	632.40	210.80	158.20	52.60	608.13	2239.97	2,238.37 (100)
2021-22	-	1734.3	632.40	210.80	158.20	52.60	2426.27	5214.57	5,003.75 (96)
2022-23	-	939.83	664.00	221.33	-	-	1179.61	3004.77	2,939.41 (95)
<b>Total</b>		<b>7869.11</b>	<b>2649.55</b>	<b>883.18</b>	<b>316.40</b>	<b>105.20</b>	<b>6151.20</b>	<b>19644.78</b>	<b>18,699.88 (95)</b>

Source: Information furnished by the Revenue Department (Disaster Management)

Figures in parentheses indicate percentage.

The expenditure reported ranged between 72 and 100 *per cent* of the receipts received during each year, as releases made to the districts and other agencies were booked as expenditure.

Under SDMF, Audit observed that while the State Government released (2020-21) a sum of ₹184.50 crore (out of available ₹210.80 crore) to the districts offices with an instruction not to utilise the grants till receipt of guidelines from Government of India, the entire funds of ₹210.80 crore pertaining to 2021-22 were retained by the State Government, without releasing the funds to implementing agencies. Further, during the year 2022-23, as per the XV Finance Commission recommendations, an aggregate amount ₹221.40 crore (GoI - ₹166.05 crore and State - ₹55.35 crore) was to be provided under SDMF. However, due to non-receipt of earmarked amount from GoI, State Government also did not release its matching share. This resulted in non-execution of mitigative activities in the State with respect to hazards/different disasters, despite availability of funds aggregating to ₹421.60 crore.

The above observation was also mentioned in the CAG's Report No.1 – Government of Karnataka for the year 2024.

### 3.1.3 Discrepancies in account statements

Since the transactions were operated through the treasury, Audit verified financial transactions with the records of the Office of the Accountant General (Accounts & Entitlements), Karnataka, Bengaluru and noticed discrepancies in exhibition of opening balances, receipts under different categories as well as expenditure figures as detailed in **Appendix 3.1**.

Further analysis showed that as against the actual transfer of ₹4.19 crore to CDM-ATI during 2019-20, the department had reported only ₹4.06 crore resulting in short accountal of ₹0.13 crore. Similarly, during the year 2021-22, though an amount of ₹3 crore was shown as having been released to CDM-ATI, the funds were not actually transferred. Evidently, the department did not reconcile the financial figures periodically.

The Government replied (August 2024) that the expenditure is recorded at the State level based on release orders and reconciled through 62-B<sup>15</sup> issued by the treasury. Any discrepancy with the AG (A&E) figures is likely due to non-drawal or lapsing of released grants by districts or agencies. It is further replied that action is being taken to ensure maintenance and updation of cash books.

### 3.1.4 Component-wise expenditure

The component wise break-up of expenditure on disaster management, as furnished by the nodal Revenue Department (Disaster Management), is shown in **Table 3.2**.

**Table 3.2: Component-wise releases under disaster management**

(₹ in crore)

Year	Preparedness and capacity building	Rescue and relief	Reconstruction and Rehabilitation	Mitigation	COVID-19	Total
2017-18	0.52	483.68	1,927.41	0	0	2,411.61
2018-19	0	482.00	725.22	0	0	1,207.22
2019-20	4.86	1,061.42	3,792.88	0	40.36	4,899.52
2020-21	31.60	760.08	577.84	184.50	684.35	2,238.37
2021-22	34.57	663.73	3,143.07	0	1,162.38	5,003.75
2022-23	36.29	631.25	2,177.87	0	94.00	2,939.41
<b>Total</b>	<b>107.84</b>	<b>4,082.16</b>	<b>12,344.29</b>	<b>184.50</b>	<b>1,981.09</b>	<b>18,699.88</b>

Source: Information furnished by the Revenue Department (Disaster Management).

While the State had released funds mainly for reconstruction and rehabilitation activities followed by rescue and relief, the releases for preparedness and capacity building were very meagre (< one per cent). The funds released for mitigation remained unspent for want of guidelines from the GoI.

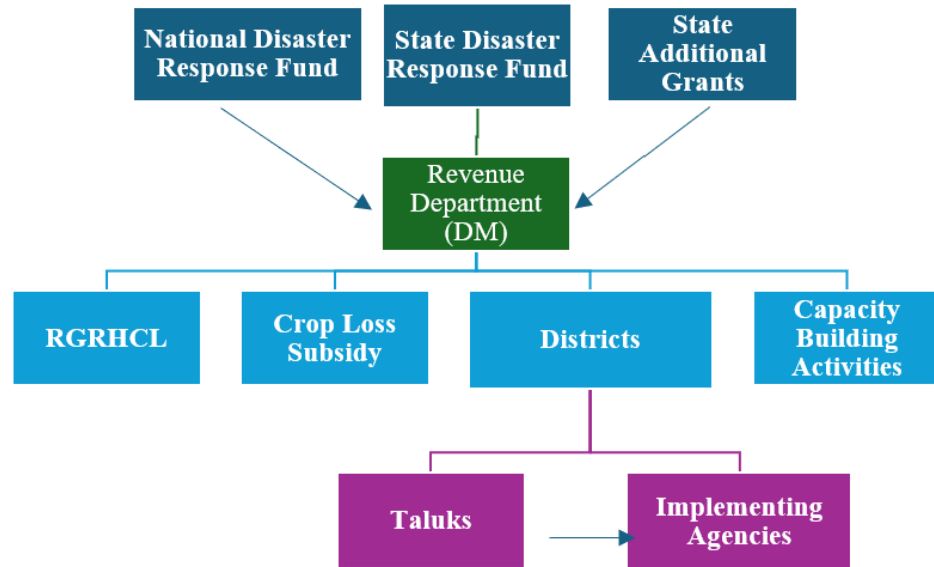
State Government stated (December 2023) that component-wise breakup of expenditure was maintained only from 2021-22 on the recommendations of XV Finance Commission and expenditure towards input subsidy was shown under the head Reconstruction and Rehabilitation.

<sup>15</sup> Treasury schedule depicting head of account-wise expenditure.

### 3.1.4.1 Expenditure on disaster management activities

The fund-flow mechanism in respect of disaster management is shown in **Chart 3.1** below.

**Chart 3.1: Fund flow chart for disaster management**



The Revenue Department (Disaster Management), being the nodal department, releases funds meant for disaster management to districts, capacity building departments/agencies and towards input subsidy for crop loss, *etc.*, through treasury. The Central grants under SDRF are released<sup>16</sup> annually by the State Government to all the districts, however without indicating Head of account, at times, even without specifying any particular calamity. Thus, the funds released to the districts are pooled in the Personal Deposit (PD) Account of the Deputy Commissioners (DCs) maintained at respective district treasuries.

#### ❖ Improper accounting of funds

On scrutiny of fund release orders from State level, Audit observed that the releases were not ‘calamity specific/component specific’, and many a time included activities relating to multiple disasters (for *e.g.* flood-drought, rain-flood-landslides, *etc.*) under single Object Head of Account. Audit also observed instances of releasing of funds to DCs, though not affected by disasters, quoting ‘insufficient balance - less than ₹5.00 crore’ in PD accounts. Further releases from districts to taluks were not with reference either to disasters/component or Head of Account. Hence, the cashbook was maintained as a matter of routine in all the test-checked districts without any distinct account of disaster-wise receipt/expenditure (including expenditure towards COVID-19).

The DCs subsequently released funds to taluks and other implementing agencies (like divisions of PWD, PRED, RWS, *etc.*) through treasury cheques, based on the local need/demand. The taluks and implementing agencies operate the DM funds

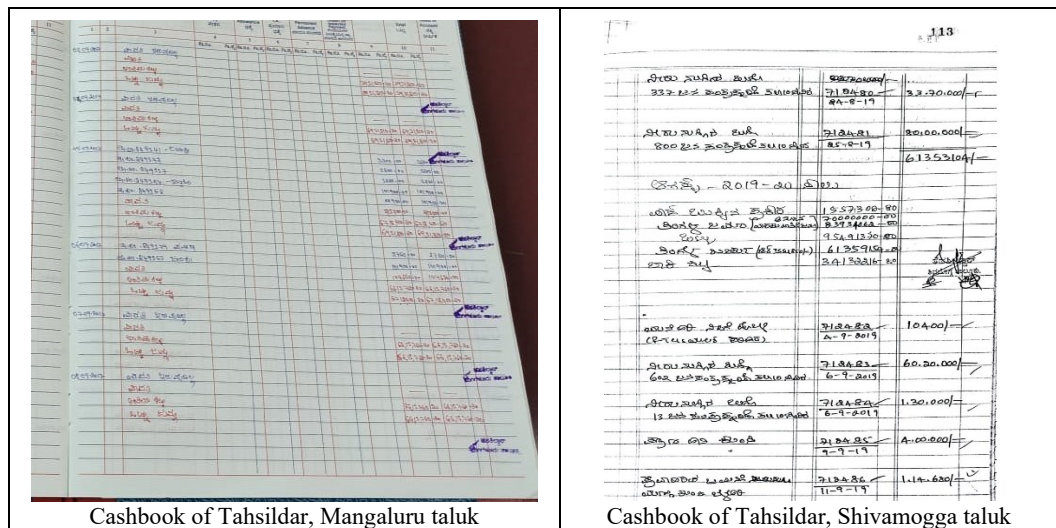
<sup>16</sup> Under heads of account 2245-80-102-0-01-139 (Major Works), 2245-80-102-0-01-059 (Other Expenditure) and 2245-80-102-0-01-051 (Capacity building).

in their bank accounts. While the taluks utilise funds for DM activities like payment of compensations, operation of relief centres, temporary restoration works, *etc.*, the implementing agencies execute works entrusted to them by district and taluk authorities. Similar to districts, disaster-wise/component-wise details have not been maintained in any of the test-checked taluks.

### ❖ Irregularities in maintenance of cashbook

Audit also observed that while many taluks have not maintained/updated cashbook relating to disaster management, the entries in the maintained cashbooks were improper inasmuch as they depicted non-recording of narrations of the payments, payment to a group of people in a single entry, payments not attested, non-accounting of cheques returned without payment, *etc.* Illustrative photographs of improper maintenance of cashbook are depicted in **Exhibit 3.1** below.

**Exhibit 3.1: Photographs showing improper cashbooks**



Source: Joint Physical Verification.

The photographs above clearly evidenced that the cashbooks have been written based on the entries in the bank account pass-sheet, but not as and when the cheques were drawn for payment. In the light of these omissions, fraudulent payments, if any, to ghost beneficiaries could not be traced in Audit. The matter needs to be investigated in detail.

Instances of non/improper maintenance of cashbook and other financial records by the district/taluk level offices in the test-checked districts as shown in **Appendix 3.2**.

### ❖ Irregularities in maintenance of bank accounts

Further, the taluks were operating multiple bank accounts (two to six) especially in private banks such as HDFC, Axis Bank, YES Bank, ICICI *etc.* Taluk-wise details of multiple bank accounts are shown in **Appendix 3.3**.

Audit noticed that multiple bank accounts opened were without the approval of the Government/competent authority and violated the instructions of the Government issued vide notification of January 2017. Further, the State Government vide order dated 23 May 2022 directed that all Tahsildars should carry out the transactions

relating to Disaster Management only through the Personal Deposit accounts at treasury. However, none of the test checked taluks have switched over fully to PD account operation by transferring the balances to PD accounts. Audit noticed that taluks of Chikkaballapura are yet to open PD accounts and continue to operate SDRF grants through bank accounts (August 2024) only.

❖ **Discrepancies between accounts of districts and taluks**

On verification of cashbooks of test-checked districts and taluks, wherever maintained, Audit observed variations between the releases as per district office records and the receipts shown by the taluk offices. Illustratively, the discrepancies observed in Shivamogga and Chikkaballapura districts are indicated below:

- a) DC, Shivamogga released an amount of ₹1.37 crore to Sagara taluk during the year 2017-18. But the same was not traceable in the cashbook as well as in the bank account of the taluk, furnished to Audit. Upon query by Audit, the Tahsildar produced a new bank account statement where the amount was shown to have been released to Rural Drinking Water and Sanitation Department, Shivamogga. However, further details such as copies of release orders/OMs were not made available to Audit.
- b) ₹50.00 lakh released by DC, Shivamogga to the Shivamogga taluk vide order dated 28.01.20 was not accounted in the cash book which resulted in understatement of actual receipts and closing balance of grant available with the tahsildar.
- c) Chintamani taluk of Chikkaballapura district, despite having a precedence of instances of misappropriation of funds, did not maintain cashbook and did not provide copies of OMs/vouchers in support of fund utilisation either, making it difficult for Audit to vouch for fund utilisation. A special investigation needs to be conducted to derive an assurance about the SDRF expenditure made by Chintamani taluk.
- d) In Chikkaballapura taluk, ₹1.03 crore was not accounted in cashbook and the entire amount was debited from bank account by bank authorities on 20.12.21. Upon Audit query, Tahsildar, Chikkaballapura had written a letter (21.08.24) to Bank, wherein it was noticed that a cheque was drawn for the whole amount and kept in suspense for the past three years.
- e) Discrepancy noticed in Belagavi district is detailed in **Appendix 3.4**.

Due to the operation of multiple bank accounts and inter-transfer of funds from one account to another, coupled with improper maintenance of cashbooks and absence of proper UCs, it was difficult for Audit to vouch for the transactions of taluks.

Non-maintenance of records and absence of transparency in accounting of funds coupled with non-reconciliation is fraught with the risk of misappropriation/embezzlement, if any, going unnoticed.

The Government replied (August 2024) that directions have been issued to concerned officials to properly maintain required records and to reconcile the same periodically. Action has been initiated to get the services of State Accounts Department staff on deputation basis to supervise financial transactions pertaining to SDRMF and also engage the services of statutory auditors for audit compliances.



**Recommendation 5: The State Government should ensure strict adherence to financial record-keeping and reconciliation procedures to enhance accountability and transparency in financial transactions.**

❖ **Substantial unspent balances with districts and taluks and absence of UCs**

Audit also noticed that the district/taluk authorities had significant unspent balances at the end of March 2023 as shown in **Table 3.3**.

**Table 3.3: Unspent balances with district/taluk authorities of test-checked districts as at the end of March 2023**

(₹ in crore)

District	Unspent balance available in the PD Account of DCs	Unspent balances in taluks <sup>17</sup>	Number of taluks	
			Total	Information furnished
Belagavi	51.08	22.18	14	14
Chikkaballapura	19.87	2.50	06	06
Dakshina Kannada	13.21	2.85	09	09
Davanagere	9.04	3.12	06	06
Haveri	27.58	--	08	00
Kalaburagi	44.35	2.60	11	03
Kodagu	57.04	--	05	00
Ramanagara	19.26	0.87	04	01
Shivamogga	21.07	6.36	07	07
<b>Total</b>	<b>262.50</b>	<b>40.53</b>	<b>70</b>	<b>46</b>

Source: Information furnished by district and taluk offices.

The huge unspent balances indicate that the actual expenditure on DM in the State was overstated as the releases to the districts and other departments/agencies were booked as expenditure. This not only resulted in incorrect reporting of expenditure by the State to the GoI/NDMA but also showed the absence of reconciliation and monitoring mechanisms by the department. Though the department could not obtain Utilisation Certificates periodically for the funds released, subsequent funds were released as a matter of routine, without reference to progress of expenditure.

Thus, the absence of details of disaster-wise receipts/expenditure, improper maintenance of cashbooks without due recordings, irregular maintenance of multiple bank accounts, mismatch between districts and taluks financial records, etc., had prevented audit from assessing the correctness of accounts of disaster management, from records made available to audit.

### 3.1.4.2 Expenditure on capacity building

Analysis of the financial statements furnished by the Department showed that out of ₹107.84 crore, an aggregated amount of ₹47.26 crore (44 *per cent*) was released to KSNDMC and ₹35.73 crore (33 *per cent*) to Fire and Emergency department for capacity building and procurement of essential equipment. Funds released for capacity building activities to the districts and CDM-ATI were 12 and 11 *per cent* respectively of the total releases towards capacity building.

<sup>17</sup> The information to the extent provided by the taluk authorities has been compiled and consolidated.

### ❖ Utilisation of funds by KSNDMC

Though the Nodal department had stated that ₹46.99 crore was released to KSNDMC during the period 2017-18 to 2022-23, KSNDMC was reported to have received ₹47.89 crore indicating the absence of a reconciliation mechanism. Audit observed that neither had KSNDMC furnished any Utilisation Certificate (UC) for the releases made to it nor did the department insist on the same. The absence of UCs and reconciliation between the department and the agency resulted in discrepancies.

During 2017-23, the KSNDMC spent ₹21.77 crore and as at the end of March 2023 held a balance of ₹27.04 crore<sup>18</sup> in its bank account (savings and deposits) which constituted more than 50 *per cent* of the releases. However, the expenditure incurred by KSNDMC on the below-mentioned items was inadmissible under SDRF grants of the State, due to the reasons mentioned there against in **Table 3.4**.

**Table 3.4: Ineligible expenditure incurred by KSNDMC**

Name of the work	Expenditure incurred (₹ in lakh)	Audit remarks
Supply, Installation, Commissioning and maintenance of Telemetric Rain Gauge, Telemetric Weather Stations and Telemetric Water Level sensors in Mangaluru, Belagavi and Hubballi-Dharwad SMART cities	281.53	These were the activities to be taken care of by the respective municipal bodies and the expenditure was to be charged under SMART City Mission programme.
Hire charges of chartered flight for viewing the flood-affected places in the State during the visit of Inter-Ministerial Central Team	11.22	These administrative expenditures were not admissible under SDRF and were to be borne by the State Government.
Salary to staff	12.91	
<b>Total</b>	<b>305.66</b>	

Source: Information furnished by KSNDMC.

Besides, audit observed that KSNDMC had incurred an expenditure of ₹1.03 crore on the work of 'Strengthening of SEOC at KSNDMC' as a control room with communication equipment during the year 2021-22 utilising the funds available under SDRF grants. Concurrently, audit also observed that KSNDMC had incurred an expenditure of ₹61.84 lakh on the work 'Supply, installation of equipment to strengthen SEOC and refurbishment of KSDMA office at MS Building, Bengaluru' with components like video wall, communication/ conferencing equipment, well-designed conference room, *etc.* However, the refurbished room was utilised by the Revenue Department for other official purposes, instead of by the intended SEOC.

As commented in Paragraph 2.1.9 previously, while there was no physical establishment of KSDMA, the SEOC was grossly non-functional at MS Building premises. Thus, the expenditure ₹61.84 lakh incurred towards interior decoration works out of SDRF grants (meant for capacity building and preparedness activities) was clearly ineligible.

<sup>18</sup> Includes interest amount of ₹91 lakh.

### ❖ Utilisation of funds by Fire and Emergency Department

The Revenue Department had released ₹43.37 crore to the Fire and Emergency Department during the period 2013-2022 towards training, capacity building and procurement of equipment for DRF units. The Fire and Emergency Department had utilised ₹23.68 crore and ₹7.69 crore (released towards the components of search and rescue, capacity building and training) remained unutilised and was lying in the bank account as at the end of March 2023. The Fire and Emergency Department did not furnish either the reasons for non-utilisation or action plans for utilisation. Further, an amount of ₹12 crore lapsed during 2022-23 as the department could not utilise the funds timely. This resulted in parking of SDRF grants outside the Government account. It also indicates that the Fire and Emergency department had no plans for the purchase of equipment and capacity building.

### ❖ Utilisation of funds by Centre for Disaster Management

As against ₹9.29 crore actually released to CDM-ATI during the period 2017-2023 for conducting training activities on DM, the Institute had spent ₹4.18 crore and the balance ₹5.11 crore remained in the bank account of CDM and outside the Government account. Audit observed that the average annual expenditure of CDM during the period 2017-18 to 2022-23 was only ₹70 lakh and the percentage of savings ranged between 29 and 89 *per cent* during these years. Hence, release of funds more than the actual utilisation was unwarranted and there was nothing on record to justify the excess releases.

The State Government stated (August 2024) that replies in this regard will be furnished after getting details of the expenditure from KSNDMC, Fire and Emergency Department and CDM-ATI, Mysore.

#### 3.1.5 Release of funds not justified and Utilisation Certificates not obtained

The Nodal Department had released funds to other departments/agencies from out of the SDRF grants as shown in **Table 3.5**. The details of utilisation by the recipients and the detailed statement of accounts thereon were, however, not obtained and placed on record.

**Table 3.5: Instances of fund releases to departments/agencies**

Year	Department/Agency	Recorded reason	Amount (₹ in lakh)
2017-18	Animal Husbandry	Fodder	500.00
	Aero India show	Not on record	27.20
2018-19	Energy Department	Flood infrastructure damage	521.00

*Source: Information furnished by the department.*

In this connection, audit observed the following:

- The funds under SDRF were released to the DCs of the districts for ensuring temporary restoration of the damages caused due to disasters in the respective districts and the DCs in turn released the funds to implementing agencies for immediate repairs to infrastructure like roads, water supply, electricity, *etc.* The Nodal Department could not clarify the reasons for releasing funds to the Energy Department separately.

As the department concerned was to allocate funds from out of their budget grants for permanent restoration of the damages caused by the disasters, the possibility of duplication in release of funds for same works/purpose both by the Revenue department and the department concerned cannot be ruled out.

- Though a sum of ₹92.00 crore had been released for purchase of fodder during drought, reasons for release of an additional amount of ₹5.00 crore to the Commissioner, Animal Husbandry Department were not on record.

Further, it is also not ascertainable as to why the funds were released to the Commissioner, Animal Husbandry Department while the responsibility for purchase of fodder lies with the respective taluks.

- Since SDRF funds are to be used for meeting the expenditure for providing immediate relief to the victims, the justification and reasons for release of ₹27.20 lakh out of SDRF grants towards Aero India show were not on record.

The Government did not furnish any replies but stated (August 2024) that necessary details would be obtained from concerned departments.

***Recommendation 6: The State Government should obtain utilisation certificates periodically from the authorities concerned in order to monitor utilisation of grants.***

### ***3.1.6 Misappropriation of SDRF grants***

Scrutiny of records of the Tahsildar, Chintamani taluk under Chikkaballapura district revealed that an office assistant had misappropriated an amount of ₹18.59 lakh during the period 2017-18 by forging the signature of the Tahsildar on 59 cheques and a complaint was lodged with the police authorities during November 2017. Further developments in this regard were not forthcoming from the records.

### ***3.1.7 Payment of compensation under SDRF to ineligible cases***

The NDRF/SDRF guidelines stipulate payment of compensation to those affected by natural calamities like house collapse, water flooding into houses, serious injuries, etc. The guidelines also provide for compensation payment to human and cattle deaths due to lightning, drowning (including those who participated in rescue operations) during natural calamities.

On test-check of records relating to payment of compensation under SDRF, audit observed that the compensation was paid in the below-mentioned instances, though the cause of death of human/cattle was not related in any manner to natural calamities/disasters.

A total of ₹1.81 crore was paid by the taluks of Haveri district and ₹2.00 lakh by Jewargi taluk of Kalaburagi district, out of SDRF fund, towards suicide deaths and deaths due to snake bite. These cases were actually to be paid by the Department of Social Security and Pensions through DCs.

In Kalaburagi district, compensation of ₹25.00 lakh had been paid out of SDRF grants to an army personnel who died in Naxal attack in Chattisgarh, while the compensation was to be borne by the Department of Sainik Welfare and Resettlement.

Apart from the compensation, audit observed ineligible utilisation of SDRF grants by Kamalapur taluk under Kalaburgi district towards honorarium for persons who conducted crop loss survey (₹0.51 lakh).

### **3.1.8 Inadmissible expenditure under SDRF**

As per the guidelines, SDRF grants shall be used for meeting the expenditure towards immediate temporary restoration of damaged infrastructure due to disasters within the prescribed norms of SDRF. The maximum expenditure that can be incurred on any such individual restoration work was ₹2.00 lakh. The permanent restoration of damaged infrastructure to normalcy was to be taken up through the regular budget grants of the respective departments.

Audit scrutiny of records at district level showed execution of numerous works regarding repair/restoration of damaged infrastructure above the prescribed monetary limit of ₹2.00 lakh, which was inadmissible under SDRF. The district-wise illustrative instances of execution of works in violation of the guidelines and monetary limits are shown in **Appendix 3.5**.

The Government replied (August 2024) that suitable instructions would be issued to Deputy Commissioners to investigate the reported cases and to take necessary legal action against the erring Officers and directions would be given to districts to incur expenditure strictly as per SDRF norms only towards temporary restoration of infrastructure damages.

***Recommendation 7: The State Government should direct the authorities to adhere to accounting standards and conduct a thorough investigation into irregular financial transactions.***

The Drought Manual mandated the State Government to monitor their drought expenditures regularly through monitoring mechanisms like monthly expenditure statements (both at State and district levels), UCs and internal and external audits.

As per the information furnished by the Revenue Department, a total amount of ₹5,791.47 crore had been incurred towards drought management in the State during the period 2017-18 to 2019-20. However, the details of district-wise releases or items towards which the expenditure had been booked were not furnished to audit.

Besides, audit observed that the State Government/nodal department did not maintain incident-wise data on accounts or expenditure. Besides, none of the test-checked district administrations had submitted the required UCs to the State Government/nodal department either incident-wise or for the total amount received/expended. Internal or external audit of the accounts of drought expenditure was not arranged by the State Government. Evidently, the efforts of the State Government in preparing and monitoring the expenditure on drought relief were inadequate and thus, ineffective.

The State Government replied (August 2024) that during Kharif 2023, all the relief as per the SDRD/NDRF norms is being disbursed through K2 treasury mechanism to maintain transparency and accountability instead of paying input subsidy through funds maintained in a bank account.

### **3.1.9 Receipts of donations and expenditure therefrom**

The department in response to Audit seeking information on the donations received from business firms, contributions from Non-Government Organisations/public

*etc.*, stated (August 2022) that ₹88.82 crore was received as financial donations and ₹1.52 crore was spent.

Audit observed from the records made available that the Revenue Department (DM) did not maintain the required records<sup>19</sup> viz., receipt book, remittance register and the cashbook for recording the transactions towards receipt of donations. Thus, Audit verified the bank pass sheets and noticed that the department had received donations of ₹135.21 crore and had spent ₹35.63 crore between the period August 2019 and September 2023. Clear details of the donors were not ascertainable as the bank extract contained only the cheque number. The quantum of donations received varied from ₹10 to ₹10.47 crore in individual cases. A review of the available records showed that out of the expenditure of ₹35.63 crore, Audit could not trace expenditure of ₹2.34 crore and an amount of ₹1.00 crore was recorded to have been transferred to KSDMA account, the reasons for which were not forthcoming from records made available.

Thus, in the absence of complete records, Audit could not ascertain the total amount received and remitted to the Government. The withdrawal of funds from this account which received donations without recording details was fraught with the risk of embezzlement of funds going unnoticed. The matter needs to be investigated.

The Government replied (August 2024) that action would be taken to maintain proper records in respect of donations received and an Audit team will be constituted to probe any irregularities that have taken place.

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<sup>19</sup> Rule 21 of the Government Account (Receipts and Payments) Rules, 1983, states that the Head of an Office where money is received on behalf of the Government shall give the payer a receipt duly signed by him after he has satisfied himself, before signing the receipt and initialling its counterfoil, that the amount has been properly entered in the cash book.