

## 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 Infertuous/Wasteful expenditure and overpayments

##### *PUBLIC WORKS DEPARTMENT (COMMUNICATION AND BUILDINGS)*

#### 4.1.1 Wasteful expenditure on a road work

**Government failed to forestall the execution of improvement works in selected stretches of Bangalore-Nilgiri State Highway (SH 17) in Mandya district though the road was to be converted into a four-lane carriageway resulting in a wasteful expenditure of Rs.1.68 crore.**

Mention on wasteful expenditure of Rs.61.39 lakh incurred on improvement works carried out from km 71.20 to 82.50 of State Highway 17 in Mandya district was made in paragraph 4.2.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 (Civil – Government of Karnataka). The wasteful expenditure was owing to the failure of Government to forestall execution of the improvement works as the road was slated for conversion into a four-lane carriageway by Karnataka Road Development Corporation Limited (KRDCL).

Further scrutiny (June/December 2005) of records of the Executive Engineer, Public Works Division, Mandya revealed that the improvement works on another stretch of the road from km 82.50 to 131 were also carried out (March 2003–January 2004) by the Division for improving its riding quality and enhancing its life by another 8-10 years. However, the existing concrete pavement and the underlying bituminous base course over a length of 28.50 kms on this stretch too, after handing over the road to KRDCL (February 2004) for conversion into four-lane carriageway, were removed (2005-06) in less than two years for improving its geometrics and carrying out necessary profile corrections. This rendered the expenditure of Rs.1.68 crore (**Appendix 4.1**) incurred on the improvement works wasteful.

Thus, failure of the Government to forestall the execution of improvement works to the existing road when it was being widened into a four-lane carriageway rendered further expenditure of Rs.1.68 crore incurred on improvement works wasteful.

The matter was referred to Government in May 2006; reply had not been received (October 2006).

## **4.2 Avoidable/Extra/Unfruitful expenditure**

### ***FOREST, ENVIRONMENT AND ECOLOGY DEPARTMENT***

#### **4.2.1 Unfruitful expenditure on restoration of a lake**

**Execution of work on the basis of defective project formulation for restoration of a polluted lake resulted in unfruitful expenditure of Rs.1.76 crore.**

The State Government formulated (2002) a project under the National Lake Conservation Plan (estimated cost: Rs.5.54 crore) for cleaning of Bellandur lake in Bangalore South taluk which was polluted by inflow of industrial and other effluents causing rapid growth of weeds. The project involved removal of weed, oxygenation of the lake by installing compressors and diffusers and removal of pollutants in the lake by application of bio-products.

The project report did not envisage stoppage or diversion of sewage entering the lake. The project report considered that the maximum sewage entering the lake was 163 Million Litres per Day (MLD) of which only 80 MLD was being treated at the existing sewage treatment plant (STP) established by the Bangalore Water Supply and Sewerage Board (BWSSB) which was responsible for sewage disposal in the city and maintenance of the lake. This plant was, however, under repairs since 2003. Though repair and expansion of STP to 248 MLD was being undertaken by BWSSB, only 30 MLD plant was functional and the balance works were scheduled for completion only by November-December 2005. Therefore, large part of ingress of sewage into the lake was untreated.

Despite this, the Lake Development Authority, Bangalore (LDA) which took up implementation of the project, entrusted (January 2004) execution of the work to a contractor at the lowest tendered cost of Rs.3.62 crore for completion by January 2005 committing itself to the responsibility of stoppage and diversion of sewage entering into the lake in the agreement with the contractor. Failure of LDA to stop/divert the inflow promoted prolific growth of weeds in the lake. As a result, oxygenation of the lake proved inadequate and ineffective and rendered the lake non-conducive for bio-remedial treatment. The contractor complained (April 2005) against non-stoppage of sewage inflow and experts from Indian Institute of Science, Bangalore (IISc) attributed (May 2005) the failure of the project mainly to discharge of untreated sewage directly into the lake. LDA decided (April 2006) to suspend the project till stoppage of sewage inflow was achieved by suitable means and to go for arbitration regarding the contract.

Thus, project formulation was defective and entrustment of work on this basis was injudicious and rendered unfruitful the expenditure of Rs.1.76 crore (including Rs.42.50 lakh incurred on procurement of bio-products which were prone to losing potency with passage of time).

The Government stated (July 2006) that a detailed plan was being worked out in consultation with IISc to stop the sewage inflow by diversion/constructed wetland method. However, LDA itself had admitted (July and September 2005) that diversion would pollute other bodies downstream and constructed wetlands had never been tried on such a large scale. Thus, hasty commencement of the work led to unfruitful expenditure of Rs.1.76 crore.

**PUBLIC WORKS DEPARTMENT**  
**(PORTS AND INLAND WATER TRANSPORT)**

**4.2.2 Excess payment due to incorrect computation**

**Incorrect computation of quantity of extra work executed resulted in excess payment of Rs.2.18 crore.**

The work of construction of break water at the Karwar port for a length of 250 metres estimated to cost Rs.5.07 crore was administratively approved (April 1992) by the Government and accorded (November 1992) technical sanction by the Chief Engineer, Communication & Buildings (North), Dharwad. The work involved placing of 2.76 lakh metric tonne (MT) of stones of various categories based on the designs prepared by the Central Water Power and Research Station, Pune (CWPRS) during 1989. The work was awarded to a contractor in June 1993 at his tendered cost of Rs.7.16 crore and the work order was issued in August 1993.

Before commencement of the work, the bed levels between chainage 100 to 250 metres were found to be in the range of (-) 7 to (-) 8.95 metres, as against a maximum of (-) 7 metres adopted in the designs. The CWPRS, who inspected the site in January/February 1995, provided the final revised design in February 1998 leading to execution of additional quantities. Accordingly, the quantity of work to be executed was 3.87 lakh MT. As of June 2005, the quantity executed was 4.51 lakh MT for which Rs.18.04 crore had been paid.

Audit scrutiny revealed that during execution of the work, the contractor expressed difficulty in obtaining stones of the category of 10-12 MT and the Department permitted their substitution by stones of 7-10 MT category. Further, as against quantities to be executed using stones of both 2-3 MT and 2-4 MT categories, the contractor used stones of only 2-4 MT category.

The actual quantities executed exceeded the tendered quantities in respect of 7-10 MT and 2-4 MT categories. While regulating payment to the contractor, the Department computed extra quantities executed in respect of these categories without considering the quantities tendered which were to have been executed using stones of 10-12 MT and 2-3 MT categories. This resulted in excess payment of Rs.2.18 crore, as detailed below:

Category	Rate per MT	Tendered quantity (in MT)	Amount due (Rs.in lakh)	Quantity executed (in MT)	Amount paid (Rs. in lakh)	Amount payable (Rs. in lakh)	Excess paid (Rs. in lakh)
10-12	Rs.340	32,160	109.34	6,299.26	21.42	21.42	-
7-10	Rs.370	9,740	36.04	28,183.19 ( 12,175 @ 370 938 @ 1,196.54 15,070.19 @ 1,149.90)	229.56	104.28 (28,183.19* @ 370)	125.28
2-3	Rs.325	15,860	51.55	Nil	-	-	-
2-4	Rs.325	12,860	41.80	72,627.86 (16,075 @ 325 45,867 @ 808.64 10,685.86 @ 777)	506.17	413.67 (35,900* @ 325 (36,727.86 @ 808.64)	92.50
<b>Total</b>		<b>70,620</b>	<b>238.73</b>	<b>1,07,110.31</b>	<b>757.15</b>	<b>539.37</b>	<b>217.78</b>

\* Quantity up to 125 per cent of tendered quantity

The Director stated (August 2006) that the claim for every item tendered should be settled item-wise independently and if any item was omitted and substituted for execution by another item, the payment should be regulated as per the executed item. The reply is not tenable since the substitution was to suit contractor's convenience and hence the claim should have been settled considering the cumulative quantities tendered and executed while regulating the payment for additional quantity.

The matter was referred to Government in July 2006; reply has not been received (October 2006).

### **WATER RESOURCES DEPARTMENT (MINOR IRRIGATION)**

#### **4.2.3 Excess payment to a contractor**

**Failure of the Department to regulate payments to the contractor in accordance with the terms of agreement resulted in excess payment of Rs.3.58 crore.**

Mention was made in paragraph 4.2.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 (Civil) on the excess payment of Rs.2.37 crore made to a contractor (towards bridge weightage at 15 per cent of the estimated cost of the work) in the construction of a bridge-cum-barrage across the river Bhima near Hireanur village of Yadgir taluk in Gulbarga district. Further, scrutiny of records (October 2005) of the Divisional Officer, Minor Irrigation, Gulbarga revealed that additional excess payment of Rs.3.58 crore was made (September 2004) to the contractor towards additional dewatering, diversion of water course and transportation of excavated hard rock, as detailed in the succeeding paragraphs:

##### **4.2.3.1 Diversion of water course and additional dewatering charges**

The Department incorrectly included an item of work viz., diversion of water course by providing coffer dams or ring bunds and by bailing out water etc., for construction of piers and abutments (estimated cost: Rs.69.03 lakh)

separately in the supplementary agreement for the work although the cost of providing such water diversion works stood included in the rates quoted by the contractor for excavation for piers and abutments as per the standard technical specifications contained in the agreement. The contractor was paid (September 2004) Rs.1.30 crore on this account.

Similarly, the Department paid (September 2004) Rs.1.32 crore towards additional dewatering done (2001-03) during the excavation work which too was not admissible under the agreement. The Chief Engineer, Minor Irrigation (North), Bijapur (CE) had in fact instructed (August 2002) the Divisional Officer, *inter alia*, to specifically incorporate a condition in the supplementary agreement to the effect that no extra payment shall be made to the contractor for dewatering, bailing out or pumping out water, *etc.* The supplementary agreement was, however, executed (July 2002) by the Divisional Officer without incorporating these conditions and even before the CE gave his approval to the draft agreement.

The extra contractual payments for dewatering and diversion of water course were justified by the Department on the ground that excess water had been allowed into the river (2001-03) through the irrigation canals of Upper Krishna Project (UKP) which flooded the construction site increasing the low water level at the site by one metre. The river gauging records of Central Water Commission for the period 2000-03, however, revealed that there was no observed discharge of water in the river during the period from February to May (working season) in any of these years. Further, the report of the Command Area Development Authority (CADA) authorities of UKP also indicated that no water had been released in the UKP canals during the period from April to May in any of these years. As such, the payment of Rs.2.62 crore towards dewatering and diversion of water course was, therefore, not justified. Government too, did not verify the facts while approving (October 2003) the additional financial implication on account of dewatering and diversion of water course.

#### **4.2.3.2 Extra lead charges for conveyance of excavated hard rock**

The contractor was paid Rs.80.90 lakh as extra lead charges for conveyance of the excavated hard rock (1.03 lakh cum) despite availability of dumping place within the initial lead of 50 metres as stipulated in the agreement. The contractor had not been instructed to transport the excavated hard rock beyond the initial lead. As such, there was no contractual obligation for the Department to pay extra lead charges.

#### **4.2.3.3 Over-excavation and refilling charges**

The contractor was also paid an amount of Rs.15.48 lakh as cost of over-excavation for foundation and refilling with concrete, although, as per the contractual obligations, the contractor was liable to refill the over-excavations with suitable approved material at his own cost. Failure of the Divisional Officer to enforce the terms of contract and regulate payments accordingly resulted in an excess payment of Rs.15.48 lakh to the contractor.

The above points were referred to Government in April 2006; reply had not been received (October 2006).

#### **4.2.4 Extra contractual payments**

##### **The Department paid Rs.53.52 lakh to a contractor which was inadmissible as per terms of agreement.**

The construction of a new minor irrigation tank (estimated cost: Rs.1.20 crore) near Ashtoor village in Bidar district was entrusted (June 2000) to a contractor for Rs.1.37 crore with a stipulation to complete it by December 2001. The work was completed in March 2002 at a cost of Rs.4.45 crore (November 2003). A revised estimate for Rs.4.60 crore submitted (April 2004) to Government was yet to be approved (April 2006).

Audit scrutiny (December 2005) of the records of the Executive Engineer, Minor Irrigation Division, Bidar revealed that the Department made the extra contractual payments of Rs.53.52 lakh to the contractor, as detailed below:

An amount of Rs.27.92 lakh was paid (March 2002) to the contractor towards extra lead charges for sand and rubble on the ground that these were brought from sources other than those specified in the agreement and involving longer distances. However, as per the agreement, the contractor was liable to bring suitable material at his own cost. The contractor in his representation (December 2000) had only requested the Department to identify new quarries/burrow areas for rubble and sand as the originally specified sources had submerged in standing waters. The Divisional Officer instead of following the terms of agreement paid extra lead charges of Rs.27.92 lakh to the contractor.

Further, Rs.11.43 lakh were paid (November 2002) to the contractor on the ground that water required for construction of bund and allied works was brought from a far off place involving additional distance as water was not available at the construction site. The payment was not admissible as the contractor was bound by the agreement to make alternate arrangements for water without any extra cost to Government.

The rates quoted by the contractor were inclusive of the cost of river diversion, diversion of water and cost of construction and removal of ramps for transportation of excavated material or for inspection of work or for any other reason. Accordingly, no separate payment was admissible on this account. The Department, however, paid (November 2002) Rs.14.17 lakh to the contractor for construction and removal of diversion bunds and ramps not in consonance with the terms of the agreement resulting in excess payment.

The amounts of Rs.11.43 lakh and Rs.14.17 lakh mentioned above were paid after entering into separate (18 and 24) piecework agreements with the same contractor. The works were split by the Divisional Officer to keep the value of work within his competence and avoid the tendering process.

The above points were referred to Government in May and June 2006; reply had not been received (October 2006).

### **4.3 Idle investment/idle establishment/blockage of funds**

#### ***PUBLIC WORKS DEPARTMENT (PORTS AND INLAND WATER TRANSPORT)***

#### **4.3.1 Non-execution of port development works**

##### **Delay in relocation of families from the land acquired for port development resulted in unfruitful expenditure of Rs.97.20 lakh.**

The Government acquired 113 acres and 33 guntas of land in Baithkol and Bada villages for development of the Karwar port. The port authorities took physical possession of the acquired land excepting 42 acres and two guntas where 354 families were living. For relocation of these families, 65 acres and 37 guntas of land at Shirwad, Sonarwad and Kodibag was acquired and developed by providing basic amenities at a cost of Rs.36.42 lakh. At the time of allotment of sites (December 1983) to the identified families, it was found that the number of families to be rehabilitated had risen to 586. The allottees including 26 families which had accepted alternative site did not vacate the land demanding rehabilitation of all the additional families. The State Government, therefore, accorded sanction (1995) for acquiring additional land of 18 acres and 6 guntas. Though the land was acquired at a cost of Rs.60.78 lakh including Rs.5 lakh paid during March 2002, the possession of only four acres and 17 guntas was obtained in March 2006 when the number of families was estimated to have increased to over 1,000. This rendered relocation of these families uncertain.

Delay in relocation of families postponed the use of the acquired land for development of the port, rendering the expenditure of Rs.97.20 lakh<sup>⊕</sup> incurred for rehabilitation unfruitful.

The Director stated (August 2006) that the revenue authorities were being requested to hand over physical possession of the land to the Ports Department.

The matter was referred to Government in July 2006; reply had not been received (October 2006).

<sup>⊕</sup> Provision of basic amenities - Rs.36.42 lakh, land acquisition (1995) - Rs.60.78 lakh including Rs. five lakh paid during March 2002

## ***TOURISM DEPARTMENT***

### **4.3.2 Non-implementation of project despite the receipt of Central assistance**

**The State Government failed to set up tourist information kiosks for the past four years despite receiving Central assistance of Rs.27 lakh.**

Under the scheme of Central financial assistance for information technology projects of the State, the State Government proposed (March 2002) to set up 25 Tourist Information Kiosks at an estimated cost of Rs.1.25 crore (State share: Rs.95 lakh, Central share: Rs.30 lakh) in places with major tourist potential. The Government of India released (March 2002) Rs.27 lakh stipulating that the project be completed by 15 May 2002. The State Government, after a delay of two and a half years, released (October 2004) the Central share of Rs.27 lakh to the Karnataka State Tourism Development Corporation (KSTDC), a State Government company for executing the work of setting up of a kiosk in Bangalore city. Audit scrutiny disclosed that the State Government did not release its share of Rs.95 lakh for the project and KSTDC had not completed even the solitary work entrusted to it so far (September 2006). This resulted in non-implementation of the project for the past four years despite receiving Central assistance, besides locking up of Government money of Rs.27 lakh with KSTDC for two years.

The matter was referred to Government in December 2005; reply had not been received (October 2006).

## ***URBAN DEVELOPMENT DEPARTMENT***

### **4.3.3 Non-completion of a sewage disposal project**

**Karnataka Urban Water Supply and Drainage Board failed to construct a sewage treatment plant to supplement drainage works which resulted in non-achievement of the objective of prevention of pollution in the Kabini river rendering the expenditure of Rs.94.31 lakh unfruitful.**

In order to prevent pollution of the river Kabini, the Government of India approved (July 1999) the execution of Interception and Diversion (I&D) works at Nanjangud under the National River Conservation Plan at a cost of Rs.68.32 lakh (Central share: Rs.67.37 lakh; State share: Rs.0.95 lakh). The work comprised construction of drains, sewer lines, wet well and pump house and laying of pipeline from wet well to Sewage Treatment Plant (STP) so as to convey the entire sewage of the town to the STP and utilising the treated water for irrigation. The I&D works were to be synchronised with the work of construction of STP as the sewage collected in the wet well was to be pumped to the STP. While major portion of the I&D works (estimated cost: Rs.40.21 lakh) was entrusted (March 1998) by the Karnataka Urban Water Supply and Drainage Board (Board) to a contractor at his tendered cost of Rs.52.98 lakh



for completion by December 1999, the STP work was entrusted to another contractor only in June 2001 for completion by December 2001, though the site (cost: Rs.8.95 lakh) for it had been acquired in October 1999 and was free from human habitation then. The work on the STP was stopped soon after its commencement after incurring an expenditure of Rs.1.43 lakh, as residential buildings had sprung up in and around the area in the intervening period and the residents protested against construction of the STP.

As a result, the I&D works on which an expenditure of Rs.85.36 lakh was incurred upto 2003-04 were also stopped after construction of the wet well as an alternative site for STP had not been finalised. Owing to non-construction of STP, sewage continued to accumulate in the wet well for the past two years. However, under the Water (Prevention and Control of Pollution) Act, 1974 (Water Act) enacted by the Government of India, discharge of sewage into a stream or well or on land required the prior consent of the Pollution Control Board (PCB); compliance to this requirement of the Act was not on record in the Board.

Government contended (March 2006) that the expenditure of Rs.85.36 lakh incurred on I&D works had partially served the purpose in as much as the entire sewage of the town had been brought to the wet well point. This was not tenable as accumulation of sewage in the wet well was against the provisions of the Water Act. The Board also intimated (September 2006) that alternative site for STP had since been handed over (March 2006) by the TMC, Nanjangud and accordingly additional estimate for I&D works for Rs.93.30 lakh had since been submitted to the Government of India for approval.

Thus, non-commencement of work on the STP as soon as land was acquired in October 1999 coupled with inordinate delay of five years in acquiring alternative land resulted in expenditure of Rs.94.31 lakh on the project remaining unfruitful. Moreover, the objective of preventing pollution in the Kabini river and utilising the treated sewage for irrigation purposes was not achieved.

***WATER RESOURCES DEPARTMENT***  
***(MINOR IRRIGATION)***

**4.3.4 Unproductive outlay on a minor irrigation tank**

**Construction of a tank without synchronising its execution with its canal works resulted in unproductive outlay of Rs.5.51 crore for over six years on the tank work which too breached due to the failure of the Department in supervising its execution.**

The construction of a minor irrigation tank (dam and allied works) at Kamatnoor in Hukkeri taluk of Belgaum district was entrusted (February 1997) to a private construction firm at a cost of Rs.two crore with stipulation to complete the work by May 1999. The tank water was to irrigate 1,482 acres of agricultural land. The tank work was completed by the firm in

July 1999 and an expenditure of Rs.5.51 crore<sup>1</sup> was incurred on it. The work on the right and the left bank canals had not been executed by the Department as the land required for these canals had not been acquired (October 2006).

Audit scrutiny (October 2005) of records of the Minor Irrigation Division, Belgaum revealed that the Department did not prepare a plan of action for synchronising the tank and canal works so that the investment fructified by providing irrigation to the needy population. Preliminary notification for acquiring only 3.11 acres land, against 14.77 acres required for the canal works, was issued (January 2002) which too was not actually acquired, reasons for which were not on record. Meanwhile, the tank bund completed in July 1999, on first filling itself in November 1999, breached for a length of about 100 metres and the Department referred (November 1999) the matter to Karnataka Engineering Research Station, Krishnarajasagara (KERS) for detailed investigation and recommendations to restore the bund. KERS in their reports (January 2000/July 2002) observed that the bund was constructed on weak foundation and the soil used for construction was highly unsuitable for the safety of the structure. It also suggested ascertaining the stability of the intact bund. Experts of Indian Institute of Science (IISc) also confirmed (June 2003) the substandard construction of the tank bund leading to its failure and suggested to strengthen the entire foundation strata below the breached portion and to re-lay the bund with good gravelly soil and to treat the foundation of the existing embankment to ensure its stability.

The Department while admitting its failure in supervising the execution of bund work by the firm, ordered (October 2004) a departmental enquiry which was on as of July 2006. The Department also withheld the payments due to the contractor (Rs.41.87 lakh) on account of his final bill (Rs.23.97 lakh) and security deposit (Rs.17.90 lakh) for his failures which included not using the required quality material in the bund work. The contractor filed a suit (November 2001) against the Department for the claims due to him which was disposed of (April 2002) in favour of the contractor. The Department filed an appeal (July 2005) against the judgement in the High Court which was pending as of July 2006.

Government stated (October 2006) that rectifying the defective portion of the bund and taking up of canal work was proposed at an estimated cost of Rs.1.20 crore for which loan assistance from NABARD was being sought. Meanwhile, the envisaged irrigation facilities to 1,482 acres of agricultural land could not be provided, rendering the expenditure of Rs.5.51 crore on the tank unfruitful.

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<sup>1</sup> This includes the cost of acquisition of land for the tank

#### 4.4 Violation of contractual obligation/undue favour to contractors

##### ***PUBLIC WORKS DEPARTMENT (COMMUNICATION AND BUILDINGS) & WATER RESOURCES DEPARTMENT (MINOR IRRIGATION)***

#### 4.4.1 Undue benefit to contractors

**Execution of scarcity relief works through contractors and issue of food grains to them at subsidised rates resulted in undue benefit of Rs.2.53 crore to contractors besides depriving direct employment to the drought affected agricultural labourers.**

For providing relief to drought affected farmers and unemployed agricultural labourers through gainful employment, the Government issued guidelines (August 2002) for carrying out scarcity relief works by various Departments which included Public Works Department (PWD) and Water Resources Department. The guidelines, *inter alia*, provided for execution of budgeted and labour-intensive works as identified by the Department and approved by the respective Deputy Commissioners (DCs). The works were to be carried out departmentally by engaging labourers on muster rolls. Wage payments were to be in the form of food grains and cash in the ratio 75:25. The DCs were required to act as coordinating officers and release required food grains and cash to the divisional officers who in turn were to submit daily reports on progress of works. Utilisation certificates were to be submitted on completion of the works.

In the following two cases, the scarcity relief works were got executed through the contractors, in violation of the guidelines and issued food grains at concessional rates leading to undue benefit of Rs.2.53 crore to them. Besides, the objective of providing employment to drought affected agricultural labourers was also not achieved.

(a) Audit scrutiny (August 2004) of the records of three divisional offices<sup>⊠</sup> showed that 399 road works (estimated cost: Rs.5.40 crore) were carried out (2002-04) as ‘scarcity relief works’ by entrusting them to contractors in contravention of the guidelines and directions issued by the DCs. Apart from cash payment of Rs.1.17 crore, the contractors were also issued 6,035 MT rice. The Department valued the rice at Rs.3.77 crore at the subsidised rate of Rs.6.25 per kg instead of at the market rate. Out of the total rice issued, 54.35 MT of rice was towards supply of construction material and hire charges of machinery such as power road rollers, tippers, *etc.*, which did not involve engagement of labour. Execution of works through the contractors and valuation of the cost of rice at the subsidised rate of Rs.6.25 per kg besides being irregular resulted in undue benefit of Rs.1.66 crore<sup>⊞</sup> to the contractors.

⊠ Gulbarga, Haveri and Yadgir Divisions of Public Works Department

⊞ Based on the rate of rice at Rs.nine per kg applicable to Above Poverty Line (APL) families

(b) Audit scrutiny (August 2004) of the records of two divisional offices<sup>△</sup> revealed that 185 minor irrigation works (estimated cost: Rs.8.59 crore) were carried out (2002-04) as 'scarcity relief works' by entrusting them to contractors in contravention of the guidelines and directions issued by the DCs. The contractors were issued 3,156.32 MT rice, which was valued by the Department at Rs.1.97 crore by adopting the subsidised rate of Rs.6.25 per kg instead of at the market rate. The divisional officers stated (August 2004/ July 2005) that the rice was issued to the contractors at the instance of the respective DCs which was, however, not factual as the DCs had directed the divisional officers to execute the works departmentally. Execution of works through the contractors and issuing rice by adjusting its cost at subsidised rate of Rs.6.25 per kg resulted in undue benefit of at least Rs.86.80 lakh\* to the contractors.

The above points were referred to Government in June 2005; reply had not been received (October 2006).

#### **4.5 Regularity issues and other topics**

##### **HIGHER EDUCATION DEPARTMENT**

#### **4.5.1 Grant-in-aid to private degree colleges**

**Non-enforcement of rules pertaining to private colleges resulted in irregular and excess payments of Rs.65.76 crore. There were also instances of release of salary grants (Rs.1.07 crore) in respect of lecturers without having prescribed workload and to those engaged for teaching combinations of subjects not eligible for the grant (Rs.6.37 crore).**

The Government gives grant-in-aid to colleges under private management with the objective of encouraging private enterprise in higher education. The payment of such grants was, till August 2003, subject to the rules in the Grant-in-aid Code for Collegiate Education (GIA Code). From August 2003, the Karnataka Educational Institutions (Collegiate Education) Rules, 2003 (Rules) framed under the Karnataka Education Act, 1983 (Act) govern the payment of such grants.

The administration of the Rules is vested in the Department of Collegiate Education headed by the Commissioner under the overall charge of the Principal Secretary to Government, Higher Education Department. The Commissioner is assisted by Director, Additional Director, Joint Directors, Deputy Directors, Assistant Directors and other staff.

As of March 2006, there were 300 degree colleges in receipt of grant-in-aid in the State. The total grants paid to them during the years 2001-02 to 2005-06 amounted to Rs.1,165.56 crore. A test-check of the records of the Secretariat, the Commissionerate, the Regional Offices and 154 colleges through local

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<sup>△</sup> Chitradurga and Haliyal Divisions of Minor Irrigation Department

\* Considering the rate of rice at Rs.nine per kg applicable to APL families  
{ (Rs.9 – Rs.6.25) x 3,156.32 x 1,000 = Rs.86.798 lakh }

visit and 146 colleges by obtaining data through correspondence for the years 2001-02 to 2005-06 was conducted during February 2006 to May 2006. The important points noticed are detailed below:

#### ***4.5.1.1 Release of grants to ineligible colleges***

The GIA Code prescribed that no college except the colleges run by Scheduled Caste/Scheduled Tribe and Backward Classes would be eligible for grants during the first seven years. However, the Rules in force from August 2003 stipulated that all private educational institutions established or permitted to be established prior to 01 June 1987 and started functioning from the academic year 1987-88 and onwards shall not be eligible for the grant-in-aid. The Rules did not provide for relaxation in any case.

Twelve colleges (Dharwad-10, Gulbarga-1, Mysore-1) which were permitted in November 1986 to be established and started functioning from the academic year 1987-88 were admitted to the scheme from September 1990/November 1995. These colleges became ineligible for the grants from August 2003 after the rules came into force. However, the payment of grants to these colleges was continued, resulting in irregular payment of Rs.14.89 crore for the period from August 2003 to March 2006.

#### ***4.5.1.2 Release of grants to colleges without Certificate of Accreditation***

The Rules stipulate that the payment of salary grant is subject to the college obtaining a B grade Certificate of Assessment and Accreditation once in every five years from the National Assessment and Accreditation Council (NAAC), an autonomous institution of the University Grants Commission (UGC) within the period specified by the Government from time to time. In June 2004, Government notified the dates by which degree colleges should obtain the certificate. Accordingly, for the colleges situated in urban areas excluding urban centres under the Hyderabad-Karnataka Area Development Board, the last date prescribed was 30 April 2005.

- Six colleges in three regions (Bangalore-3, Mysore-2, Shimoga-1) had not obtained the certificate even as of May 2006 and were thus, ineligible for the salary grants for 2005-06 and onwards till obtaining of the certificate. However, salary grants amounting to Rs.1.87 crore for the year 2005-06 were released to these colleges in violation of the Rules.
- Thirty-three colleges had obtained certificates during 2004-05 and 2005-06 with the grade being below 'B'. These colleges were, therefore, ineligible for the salary grants after the receipt of the certificates. However, salary grants of Rs.23.72 crore were released to them during the two years, even after the receipt of the below 'B' grade certificates.

The release of grants in these cases was not in consonance with the Rules.

#### ***4.5.1.3 Excess payment of grants due to incorrect fixation of pay***

In November 1999, Government revised the scales of pay of specified staff including teachers in the aided colleges to be in accordance with those of the

UGC. The rules for fixation of pay provided that in respect of lecturers with five years service in the selection grade drawing pay at the sixth stage, viz., Rs.4,325 in the pre-revised scale, the pay would be fixed at Rs.14,940 in the revised scale on 01.01.1996. The benefit was also applicable to such lecturers drawing basic pay of Rs.4,325 as on 01.01.1996 but had not completed five years, as and when they completed five years in the grade. Scrutiny revealed that the benefit of fixation was extended to such lecturers who had not reached the stage of Rs.4,325 as on 1.1.1996. This resulted in excess payment of salary grants of Rs.3.83 crore (excluding allowances) during the period from January 1996 to February 2006 in respect of 369<sup>⊠</sup> lecturers.

#### ***4.5.1.4 Short remittance of tuition and laboratory fee***

Prior to August 2003, in terms of the GIA Code, the Principals of aided colleges were authorised to collect tuition and laboratory fee from the students at rates not exceeding twice the standard rates<sup>∞</sup>. Out of the recovered amount, the fee at the standard rate was to be credited to a joint account with the Director and the fee collected in excess of the standard rate could be retained in the college account. However, with effect from August 2003, under the Rules, the entire tuition and laboratory fee collected was to be credited to the joint account. For breach of the conditions, the Commissioner/Government was empowered to stop the principal's salary or salary grant to the college concerned.

Out of 272 colleges in respect of which data was made available, 55 colleges which collected fee at more than the standard rates during the years 2003-04 to 2005-06 remitted the entire fee collected into the joint accounts. The remaining 217 colleges which collected fee of Rs.33.58 crore during the same period remitted Rs.12.13 crore only and retained Rs.21.45 crore in violation of the Rules. Though, three<sup>⊗</sup> out of six Regional Directors had noticed the shortfall in remittances and had issued (between June 2004 and August 2006) instructions to the colleges to remit the balance, the colleges concerned had not complied with. Nevertheless, salary grants amounting to Rs.496.71 crore were released to these colleges in full during 2003-06. The release of grants without ensuring compliance with the Rules was irregular.

#### ***4.5.1.5 Release of grants in respect of lecturers without prescribed workload***

According to the norms prescribed by the Department and reiterated by the Director in December 1995 for release of salary grant, there were to be a minimum of 15 students in the optional subjects and five students in languages in a college. Audit noticed that in five colleges, no work was assigned to eight lecturers for want of students for the respective subjects during 2001-06, as detailed below:

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<sup>⊠</sup> Bangalore:50, Dharwad:165, Gulbarga:49, Mangalore:47, Mysore:35, Shimoga:23

<sup>∞</sup> Standard rates are rates of tuition and laboratory fee prescribed for levy on students in Government institutions

<sup>⊗</sup> Bangalore, Gulbarga and Shimoga

(Rupees in lakh)

Name of the Region	College	Subject	Remarks	Number of lecturers	Amount
Gulbarga	Amareshwara Arts, Commerce and Science Degree College, Aurad	English	There were no students during the years 2001-02 to 2004-05.	01	-
	Karnataka College, Bidar	English	The lecturer shown at Sl.No.1 was transferred to this college during 2005-06. No work was assigned to this lecturer. However, salary was claimed.	Nil	11.60
Shimoga	Maharaja Madakarinarayaka First Grade College of Arts and Commerce, Chitradurga	Criminology	The workload was sufficient for only two lecturers. The workload for the third lecturer had been reflected as nil during the last five years (2001-02 to 2005-06).	01	12.26
	SJM Arts, Commerce and Science College, Chitradurga	Geology	There were no students for Geology and related combination (2001-02 to 2005-06)	05	69.24
Mysore	JSS College, Mysore	Sericulture	There were no students during the years 2001-02 to 2004-05	01	13.98
<b>Total</b>				<b>08</b>	<b>107.08</b>

Non-deployment of these lecturers to other needy aided colleges as was in vogue in the Department rendered the payment of salary grant of Rs.1.07 crore nugatory.

#### **4.5.1.6 Release of grants in respect of teachers appointed in excess of norms**

The Government, while adopting UGC scales of pay for the employees of the colleges ordered (November 1999) that the workload of a teacher in full employment should not be less than 40 hours a week, of which 16 hours for social-science teachers and 20 hours for science teachers should be the direct teaching hours. The remaining 24 and 20 hours respectively were to be engaged for assisting the students and for examination/ evaluation work. The norms also prescribed the number of hours to be worked for theory and practical classes. The Rules also stipulated that new subjects and combination of subjects permitted to be introduced with effect from 1 June 1987 were not eligible for grant-in-aid. Subjects forming part of an old combination approved earlier and introduced afresh as an independent subject and forming a new combination with such a subject were also not eligible for the grant. During test-check of records in selected colleges, Audit noticed that in four regions, the number of lecturers required for each subject in each college, as computed in audit with reference to the student strengths of combinations of subjects approved for the grant, workload prescribed per lecturer per week and actual workload to be performed for theory and practical classes worked out to 135

to 137 in 17 colleges for the years 2001-02 to 2005-06. However, the number of lecturers on the rolls in these colleges and admitted for the purposes of salary grant were 209 to 223, as detailed below:

(Rupees in crore)

Region	Number of colleges	Number of subjects	Number of posts to be admitted	Number of posts admitted	Excess posts	Salary paid to excess posts
Bangalore	08	07	91-93	137-143	46-50	3.09
Dharwad	03	07	24	38-41	14-17	1.89
Mysore	05	05	12	24	12	0.83
Shimoga	01	04	8	10-15	2-7	0.56
<b>Total</b>	<b>17</b>	<b>23</b>	<b>135-137</b>	<b>209-223</b>	<b>74-86</b>	<b>6.37</b>

The payment of salary grant of Rs.6.37 crore (excluding allowances) in respect of these ineligible posts was inadmissible.

#### 4.5.1.7 Inspection and monitoring

The Joint Directors in charge of the six<sup>♦</sup> Regional Offices were responsible for audit of accounts and inspection of all the colleges as also for watching submission of periodical returns to verify fulfillment of the norms/criteria prescribed under the Code/Rules. However, no targets for inspection were fixed by the Commissioner. The Joint Directors did not point out the irregularities mentioned above during their inspection of the colleges. The Department persisted with payment of grants to 12 ineligible colleges and also made excess payment of grants to colleges as a result of incorrect pay fixation of lecturers and appointment of lecturers in excess of norms during 2001-06. Thus, inspection and monitoring of colleges by the Joint Directors was ineffective.

#### 4.5.1.8 Recommendations

- The Commissioner should arrange to review the position of number of students and assess the workload for lecturers in each college before commencement of the academic year to prevent irregular and excess payment of grants-in-aid.
- The Commissioner should prescribe a check-list certifying eligibility of colleges for grants; production of accreditation certificates and compliance with Rules for operation of joint account before releasing the grants and fix responsibility at each level for release of the grant.

The above points were referred to Government in July 2006; reply had not been received (October 2006).

<sup>♦</sup> Bangalore, Dharwad, Gulbarga, Mangalore, Mysore and Shimoga at the respective University headquarters



**FINANCE DEPARTMENT****4.5.2 Inspection of Treasuries**

Treasuries and Sub-treasuries in Karnataka are under the administrative control of Director of Treasuries, Bangalore. All district treasuries (30), sub-treasuries (185) and stamp depot were inspected by the Accountant General (Accounts & Entitlement) during 2005-06. The following major irregularities and control failures were noticed during the inspection.

**4.5.2.1 Excess payment of family pension**

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

In 629 cases relating to 28 district treasuries, public sector banks made payment of family pension at enhanced rates beyond the period indicated in the Pension Payment Orders issued by the Accountant General (A&E) resulting in excess payment of Rs.1.19 crore (**Appendix 4.2**).

Despite being pointed out during earlier inspections, banks continued to pay family pension at higher rate in 208 cases relating to 23 treasuries resulting in further excess payment of Rs.40 lakh (**Appendix 4.3**).

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

Paid vouchers in support of withdrawals from General Provident Fund (GPF) for Rs.24 lakh (22 cases) were not received along with the accounts sent by 11 treasuries during 2005-06 (**Appendix 4.4**). The omission might lead to non-accountal of the withdrawals and resultant overpayments at the time of final settlement of the accounts of the subscribers. The matter needs urgent corrective action.

Further, recovery schedules of GPF subscriptions by Government servants for Rs.58 lakh (336 cases) did not accompany the vouchers sent by 24 treasuries during 2005-06 (**Appendix 4.5**). This resulted in large number of missing credits in the accounts of individual subscribers, besides delay in finalisation of claims.

### 4.5.3 Abstract Contingent Bills

#### 4.5.3.1 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 5,557 AC bills covering Rs.37.95 crore drawn during 2001-2006 by 31 DDOs of four\* departments in 10^ districts during April-June 2006. Important points noticed are brought out in the succeeding paragraphs.

#### 4.5.3.2 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. Further, DDOs are also required under Rule 36(vi) to enclose with their salary bills a certificate issued by their Controlling Officers to the effect that detailed bills for all amounts of AC bills drawn prior to the current month have been rendered.

As of July 2006, 12 of the 31 DDOs test-checked in audit had not submitted detailed bills for Rs.11.08 crore drawn on 549 AC bills to their controlling officers, as detailed below:

(Rupees in crore)

Department	Number of DDOs	Number of AC bills	Amount	Drawn between	Reasons for pendency
Watershed Development	06	495	4.92	October 2005 and March 2006	Non-receipt of sub-vouchers from field officers
Sericulture	03	46	0.43	August 2005 and March 2006	
Medical & Public Health	02	04	5.12	March 2001 and March 2006	Delay in importing/ installation and commissioning of medical equipment
Transport	01	04	0.61	September 2002 and March 2005	Non-completion of works relating to computerisation of Regional Transport Offices
<b>Total</b>	<b>12</b>	<b>549</b>	<b>11.08</b>		

\* Medical & Public Health, Sericulture, Transport and Watershed Development

^ Bangalore (R), Bangalore (U), Bidar, Davanagere, Dharwad, Gadag, Hassan, Haveri, Karwar and Mandya

Non-remittance of detailed accounts for advances drawn on AC bills is fraught with the risk of possible fraud/misappropriation. Nevertheless, in all these cases, Controlling Officers<sup>®</sup> disregarding the system of internal control issued the certificate of submission of detailed contingent bills by the DDOs as a matter of routine.

Detailed bills submitted by five DDOs for Rs.0.92 crore drawn on 129 AC bills were pending with Controlling Officers without being forwarded to the AG (A&E), as detailed below:

(Rupees in crore)

Department	Number of DDOs	Number of AC bills	Amount	Submitted between	Reasons for pendency
Watershed Development	01	63	0.30	October 2005 and January 2006	Delay in compliance by the DDOs to the objections raised by the Controlling Officers
Sericulture	03	60	0.60	October 2005 and April 2006	
Medical & Public Health	01	06	0.02	May 2006	
<b>Total</b>	<b>05</b>	<b>129</b>	<b>0.92</b>		

Further, delay upto one year in forwarding detailed bills for Rs.43.25 crore drawn on 4,550 AC bills to the AG (A&E) by 28 DDOs of the test-checked departments were noticed, as detailed below:

(Rupees in crore)

Delay upto	Number of AC bills	Amount
One month	3,288	35.92
Six months	1,153	5.89
One year	109	1.44
<b>Total</b>	<b>4,550</b>	<b>43.25</b>

The delay was due to drawal of funds far in advance of requirement and in many cases to avoid lapse of budget grants.

#### 4.5.3.3 *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. The treasuries were also required to build up a database of AC bills and their settlement and forward monthly/quarterly reports thereon to the Finance

<sup>®</sup> Deputy Directors of Sericulture–Attibele, K.R.Pet, Magadi, Development Officer of District Watershed Development–Dharwad, District Medical Officer–Mandya and Commissioner for Transport - Bangalore

Department. Audit scrutiny revealed that these directions were not followed in the test-checked districts, as detailed below:

Detailed bills for Rs.7.66 crore drawn on 630 AC bills by 11 DDOs between October 2004 and March 2006 were not routed through respective treasuries. Instead, Controlling Officers forwarded these bills after countersignature directly to the AG (A&E), as detailed below:

(Rupees in crore)

Department	Number of DDOs	Detailed bills not routed through treasuries	
		Number	Amount
Watershed Development	5	426	2.33
Sericulture	5	203	1.83
Medical & Public Health	1	1	3.50
<b>Total</b>	<b>11</b>	<b>630</b>	<b>7.66</b>

Treasury Officers\* in violation of the procedure honoured 379 AC bills for Rs.2.58 crore drawn between November 2004 and March 2006 by six DDOs though 64 AC bills amounting to Rs.1.02 crore drawn by them earlier were outstanding for settlement.

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

#### **4.5.3.4 Drawal of AC bills for amounts in excess of the limit prescribed**

DDOs were required to obtain permission of the Finance Department for drawal of AC bills for amounts exceeding Rupees one lakh. In departments of Medical & Public Health, two DDOs, however, drew Rs.0.34 crore on three AC bills, each bill exceeding Rupees one lakh without permission of the Finance Department. Treasury Officers in clear violation of the instructions of the Finance Department also passed the bills.

One DDO of the Sericulture Department drew Rs.1.98 crore on 199 AC bills by splitting bills to avoid recourse to the Finance Department for permission.

#### **4.5.3.5 Drawal of funds to avoid lapse of grants**

As funds for Soil Conservation Works under Rural Infrastructure Development Fund (RIDF) and National Watershed Development Project for Rainfed Areas (NWDPA) schemes were released at the end of the financial year, the Commissioner, Watershed Development Department, requested to permit DDOs to draw upto Rupees one lakh on each AC bill to facilitate speedy execution of works. The Finance Department, however, permitted drawal of funds upto Rupees five lakh on each AC bill. Seven DDOs drew Rs.4.16 crore on 364 AC bills in March 2006. However, detailed bills

\* Bangalore (Urban), Bangalore (Rural), Bidar, Dharwad, Hassan and Mandya

therefor had not been submitted so far (July 2006). Thus, the facility of drawal upto Rupees five lakh on an AC bill extended to the department was to avoid lapse of budget grants.

#### 4.5.4 Personal Deposit Accounts

##### 4.5.4.1 Introduction

The Karnataka Financial Code provides for opening of Personal Deposit (PD) Accounts with permission from Government in cases where the ordinary system of accounting is not suitable for transactions. PD Accounts created by debit to Consolidated Fund of the State should be closed at the end of the financial year. Administrators of the accounts should intimate the Treasury Officer, the balance to be transferred to the Consolidated Fund. For continuation of PD Accounts beyond the period of currency, administrators are required to seek the permission of the Finance Department. Periodical reconciliation of PD Accounts with treasury accounts is the responsibility of the administrators concerned. Fifty PD Accounts in 11 districts with an aggregate balance of Rs.30.17 crore as of March 2006 were inoperative for periods ranging from one year to three years.

##### 4.5.4.2 Funds kept in PD Accounts

Deposits, withdrawals and balances in PD Accounts during the period 2003-06 were as detailed below:

(Rupees in crore)

Year	Opening balance	Receipts/Deposits	Withdrawals	Closing balance
2003-04	365.10	1,034.10	996.79	402.41
2004-05	402.41	1,081.50	1,099.01	384.90
2005-06	384.90	2,034.03	1,916.30	502.63

Review of 20 PD Accounts operated by 12 administrators of seven departments in six districts during 2003-06 was conducted during February-June 2006. The important points noticed are brought out in the succeeding paragraphs.

##### 4.5.4.3 Unspent balances in PD Accounts

The balances held in the PD Accounts of 12 administrators were Rs.172.77 crore at the end of 2005-06 as shown in **Appendix 4.6**.

The administrators stated that the Finance Department was requested (between April and September 2006) for continuation of accounts during 2006-07 as the balance amounts were required for implementation of various ongoing schemes and completion of works in progress. Response of the Finance Department had not been communicated (October 2006).

#### **4.5.4.4 Reconciliation of balances**

Non-reconciliation of balances by 12 administrators was noticed in respect of 19 PD Accounts (**Appendix 4.7**). There was a difference of (-) Rs.75.00 crore in 18 PD Accounts and (+) Rs.0.38 crore in one PD Account as of March 2006 which remained unreconciled.

#### **4.5.4.5 Utilisation Certificate furnished for unspent Central grant held in PD Account**

The Central Government grant of Rs.5.59 crore released in September 2004 for construction of student hostels credited to the PD Account of the Commissioner for Social Welfare remained unutilised as of March 2006. The Commissioner, however, had already furnished the Utilisation Certificates to the Government of India in December 2005.

#### **4.5.4.6 Mixing of funds in PD Accounts**

The Commissioner of Food & Civil Supplies credited Rs.3.73 crore (March 2006) for printing of yellow ration cards to the PD Account opened for transactions relating to sums received towards differential cost of food grains from Food Corporation of India and payments made to wholesale dealers.

Security and earnest money deposits aggregating Rs.1.02 crore received from suppliers by the Commissioner for Health & Family Welfare Services (Rs.0.92 crore) and the Deputy Commissioner, Mangalore (Rs.0.10 crore) classifiable under the minor heads '103' and '111' below the major head 8443-Civil Deposits were credited to the PD Accounts opened for operation of funds released for Government schemes.

#### **4.5.4.7 Unauthorised operation of PD Account**

Prior to the establishment of the Hyderabad Karnataka Area Development Board (HKADB), funds released by the Government for Hyderabad-Karnataka area development were kept in the PD Account of the erstwhile Divisional Commissioner, Gulbarga. After formation of HKADB, the Government did not permit operation of PD Account; instead ordered (June 1996) operation of deposit account under the head '8449-120' for transactions of HKADB. However, contrary to Government order, District Treasury Officers, Gulbarga, Bidar, Raichur and Bellary, continued to allow HKADB to operate the PD Account of erstwhile Divisional Commissioner, Gulbarga.

The matter was referred to Government in August 2006; reply had not been received (October 2006).

## REVENUE DEPARTMENT

### 4.5.5 Diversion of calamity relief funds

#### Deputy Commissioner, Chickmagalur diverted Rs.44.50 lakh from the Calamity Relief Fund to 21 non-calamity related works.

Expenditure from the Calamity Relief Fund (CRF) is required to be incurred in accordance with the norms in respect of items specified by the State Government from time to time. The norms and the list of items were revised in March 2002 and July 2003 on the basis of recommendations of the Eleventh Finance Commission. The list of items specified therein included 'repair/restoration of immediate nature of the damaged infrastructure relating to communication, power, public health, drinking water supply, primary education and community-owned assets in the social sector'.

Audit noticed (December 2004) that the Deputy Commissioner, Chickmagalur sanctioned implementation of 21 works involving expenditure of Rs.44.50 lakh from the CRF between February 2003 and May 2004. These works were not related to repair/ restoration of damaged infrastructure caused by calamity. The works included improvements to a college building, construction of office building, temple, *etc.* The total expenditure of Rs.44.50 lakh thus incurred on these works was not in conformity with the prescribed norms and constituted diversion of CRF for non-calamity-related purposes.

The matter was referred to Government in July 2005; reply had not been received (October 2006).

## 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-six Departments as detailed in **Appendix 4.8** had not submitted ATNs for 96 paragraphs, even as of October 2006. These included the following important irregularities, which were

featured in the Audit Reports 1999-2000 to 2003-04, the delay being over 11 to 59 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 2001-02**

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

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

#### **Audit Report 2002-03**

##### **Paragraph No.4.1.8: Unauthorised works – Water Resources Department**

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

#### **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.



#### 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 October 2006 are detailed in **Appendix 4.9**.

#### 4.6.2 Inspection Reports outstanding

##### *Lack of responsiveness of Government to Audit*

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.

Year-wise details of IRs and paragraphs outstanding and serious irregularities therein relating to Sericulture, Judiciary, Water Resources, Minor Irrigation and Public Works Departments are detailed in **Appendix 4.10** and **Appendix 4.11** respectively.

A review of the IRs, which were pending due to non-receipt of replies, in respect of these five departments revealed that the Heads of Offices whose records were inspected by the AG, failed to discharge due responsibility as they did not send even the initial replies in respect of 340 IRs containing 1,828 paragraphs, as detailed below:

Sl. No.	Department	Initial replies not received	
		Number of IRs	Number of paragraphs
1.	Sericulture	112	353
2.	Judiciary	120	323
3.	Water Resources	39	288
4.	Minor Irrigation	19	217
5.	Public Works	50	647
	<b>Total</b>	<b>340</b>	<b>1,828</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 stores and stock accounts

Annual consolidated accounts of stores and stock are required to be furnished by various Departments to the Accountant General by 15 June of the following year. Delays in receipt of stores and stock accounts have been commented upon in successive Audit Reports. The Public Accounts Committee (1978-80) in its First Report (Sixth Assembly) presented in February 1980 had also emphasised the importance of timely submission of accounts by the Departments. Nevertheless, the delays persist. The Departments from which the stores and stock accounts had not been received by Audit as of October 2006 are mentioned below:

Serial Number	Department	Year(s) for which accounts are due
1.	Health and Family Welfare - (i) Director, Health and Family Welfare Services (ii) Director of Medical Education (iii) Indian System of Medicine and Homoeopathy	2005-06 2005-06 2005-06
2.	Information, Tourism and Youth Services - Director of Information and Publicity	2004-05 and 2005-06
3.	Education - Director of Printing & Stationery	2005-06
4.	Revenue (Registration) - Inspector General of Registration and Commissioner of Stamps	2002-03 to 2005-06
5.	Public Works, Water Resources and Minor Irrigation	1998-99 to 2005-06

