



## **CHAPTER III**

# **PERFORMANCE AUDIT**

- **3.1 Modernisation of State Police Force**
- **3.2 Implementation of Urban Poverty Alleviation and Town Development Schemes by Director of Municipal Administration**
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- **3.6 Working of the Karnataka Residential Educational Institutions Society, Bangalore**
- **3.7 Administration and Utilisation of Calamity Relief Fund**
- **3.8 Grant-in-Aid for Technical Education**

## CHAPTER III

### PERFORMANCE AUDIT

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

### HOME DEPARTMENT

#### 3.1 Modernisation of State Police Force

##### Highlights

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

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

(Paragraph 3.1.6)

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

(Paragraph 3.1.9)

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

(Paragraph 3.1.10)

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

(Paragraph 3.1.11)

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

**(Paragraph 3.1.12)**

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

**(Paragraph 3.1.13)**

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

**(Paragraph 3.1.14)**

### **3.1.1 Introduction**

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

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

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

### **3.1.3 Audit objectives**

The audit objectives were to assess whether:

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

mobility communication and computerisation were implemented efficiently; and

- the scheme was monitored effectively.

### **3.1.4 Audit criteria**

The audit criteria were:

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

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

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

### **Audit findings**

### **3.1.6 Financial management**

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

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

**Table 1: Receipt and Expenditure**

(Rupees in crore)

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

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

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

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

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

### 3.1.6.1 Diversion of funds

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

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

### 3.1.7 Planning

**Perspective plans were not approved by GOI**

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

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

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

### **Execution of scheme works**

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

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

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

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

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

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

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

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

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

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

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

(Rupees in lakh)

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

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

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

### **3.1.9 Communication and computerisation**

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

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

### 3.1.9.1 POLNET project

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

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

### 3.1.9.2 "Dial-100" scheme

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

Records, however, disclosed the following:

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

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

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

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

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

### 3.1.11 Weaponry

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

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

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

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

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

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

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

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

### 3.1.12 Idle Equipment

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

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

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

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

### 3.1.13 Human Resource Management

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

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

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

The training infrastructure was inadequate to make the training programmes effective

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

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

### 3.1.14 Monitoring

Monitoring of the scheme implementation was not effective

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

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

### **3.1.15 Conclusion**

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

### **3.1.16 Recommendations**

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

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

## URBAN DEVELOPMENT DEPARTMENT

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

#### Highlights

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

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

(Paragraphs 3.2.6.2 & 3.2.6.4)

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

(Paragraphs 3.2.6.5 and 3.2.8.2)

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

(Paragraph 3.2.8)

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

(Paragraphs 3.2.9.2 and 3.2.9.3)

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

(Paragraph 3.2.13)

#### 3.2.1 Introduction

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

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

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

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

### **3.2.3 Audit objectives**

The objectives of performance audit were to:

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

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

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

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

### **3.2.4 Audit criteria**

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

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

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

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

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

## **Audit findings**

### **3.2.6 Financial management**

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

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



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

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

(Rupees in crore)

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

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

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

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

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

(Rupees in crore)

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

Test-check of records disclosed the following:

### 3.2.6.1 SJSRY

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

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

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

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

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

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

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

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

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

**3.2.6.3 Delay in release of EFC grants**

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

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

**3.2.6.4 Diversion and unspent balances**

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

**Diversion of funds**

(Rupees in crore)

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

These diversions did not have the approval of GOI.

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

### Unspent balances

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

(Rupees in crore)

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

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

#### 3.2.6.5 Deficiencies in maintenance of accounts

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

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

There were deficiencies in maintenance of basic records

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

### 3.2.7 Programme management

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

### 3.2.8 SJSRY

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

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

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

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

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

#### 3.2.8.1 ME and DWACUA

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

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

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

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

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

### 3.2.8.2 UWEP

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

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

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

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

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

### 3.2.8.3 Training of urban unemployed poor

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

### 3.2.9 Execution of IDSMT projects

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

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

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

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

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

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

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

### 3.2.9.2 Idle investment on shopping complexes

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

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

### 3.2.9.3 Delay in completion of IDSMT works

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

(Rupees in crore)

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

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

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

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

### 3.2.10 EFC works

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

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

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

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

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

#### 3.2.10.2 Unfruitful outlay on SWM works

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

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



### 3.2.10.3 Fund Based Accounting System (FBAS)

The expenditure incurred on Fund Based Accounting System was largely unproductive

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

### 3.2.11 Quality control

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

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

### 3.2.12 Human Resource Management

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

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

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

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

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

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

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

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

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

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

### **3.2.13 Monitoring**

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

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

### **3.2.14 Conclusion**

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

### **3.2.15 Recommendations**

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

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

**URBAN DEVELOPMENT DEPARTMENT**

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

**Highlights**

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

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

**(Paragraph 3.3.5)**

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

**(Paragraph 3.3.6.1)**

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

**(Paragraph 3.3.6)**

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

**(Paragraph 3.3.7)**

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

**(Paragraph 3.3.4)**

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

**(Paragraph 3.3.8)**

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

**(Paragraph 3.3.9)**

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

**(Paragraph 3.3.10)**

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

**(Paragraph 3.3.11)**

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

**(Paragraph 3.3.12)**

### **3.3.1 Introduction**

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

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

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

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

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

### **3.3.2 Audit objectives**

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

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

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

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

### Audit findings

#### 3.3.4 IT Policy and strategy

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

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

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

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

### Development and maintenance of Computer Applications

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

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

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

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

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

### 3.3.5 Geographical Information System (GIS)

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

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

#### 3.3.5.1 Incomplete application

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

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

#### 3.3.5.2 Input validations

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

Some more illustrations of discrepancies observed were as under:

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

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

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

### **3.3.5.3 Output controls**

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

The project management did not

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### ***Input controls***

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

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

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

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

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

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

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

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

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

#### **Process Controls**

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

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

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

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

### 3.3.6.9 Deficiencies in design

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

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

## 3.3.7 Development of the Website of Board

### 3.3.7.1 Planning and co-ordination

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

### 3.3.7.2 Inaccurate and inconsistent web pages

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

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

### 3.3.7.3 Poor maintenance

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

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

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

### **3.3.8 Kiosks based collection**



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

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

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

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

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

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

### 3.3.8.2 *Delay in remittances*

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

### 3.3.8.3 *Security of Kiosks*

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

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

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

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

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

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

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

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

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

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

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

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

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

### 3.3.10.2 Security of Server

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

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

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

### 3.3.10.3 Access controls

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

### 3.3.10.4 Data security controls

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

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



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

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

### **3.3.11 Change management controls**

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

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

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

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

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

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

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

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

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

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

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

### **3.3.13 Conclusion**

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

### **3.3.14 Recommendations**

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

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

## REVENUE DEPARTMENT

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

#### *Highlights*

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

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

**(Paragraph 3.4.7.1)**

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

**(Paragraph 3.4.8)**

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

**(Paragraph 3.4.8.1)**

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

**(Paragraph 3.4.8.3)**

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

**(Paragraph 3.4.8.4)**

#### 3.4.1 Introduction

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

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

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

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

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

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

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

### **3.4.3 Audit objectives**

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

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

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

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

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

The audit findings are discussed in the following paragraphs;

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

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

The guidelines were revised in 1999 as under:

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

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

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

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

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

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

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

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

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

### 3.4.7 General Controls

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

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

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

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

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

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

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

#### 3.4.7.2 Back up power supply

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

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

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

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

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

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

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

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

## **3.4.8 Data accuracy/Completeness**

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

### **3.4.8.1 Creation of databases**

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

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

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

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

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

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

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

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

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

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

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

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



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

In addition, the following was observed about the databases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 3.4.8.5 Reconciliation with survey Records

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

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

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

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

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

### 3.4.9 IT Security

#### 3.4.9.1 Data Safety/Security

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

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

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

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

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

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

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

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

The following points regarding data security were observed in audit:

#### 3.4.9.3 Physical access controls

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### **3.4.10 Monitoring**

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

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

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

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

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

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

#### ***3.4.10.3 Internal audit***

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

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

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

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

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

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

### **3.4.11.2 User charges Account**

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

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

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

### **3.4.11.3 Touch Screen Kiosks not working**

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

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

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

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

## **3.4.12 Conclusion**

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

## **3.4.13 Recommendations**

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

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

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**FOREST, ECOLOGY AND ENVIRONMENT DEPARTMENT**
**3.5 Afforestation programme including compensatory afforestation**
*Highlights*

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

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

**(Paragraphs: 3.5.7 and 3.5.7.1)**

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

**(Paragraph: 3.5.9)**

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

**(Paragraph: 3.5.8.2)**

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

**(Paragraph: 3.5.9.2)**

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

**(Paragraph: 3.5.9.4)**

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

**(Paragraph: 3.5.9.5)**

**Monitoring of afforestation programme was not effective.**

**(Paragraph: 3.5.10)**



### **3.5.1 Introduction**

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

### **3.5.2 Organisational set-up**

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

### **3.5.3 Audit objectives**

The audit objectives were to assess whether the:

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

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

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

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

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

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

### 3.5.4 Audit criteria

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

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

### 3.5.5 Scope and methodology of audit

The performance audit covering the period 2002-07 was conducted during February 2007 to June 2007 by test-checking records of the offices of Principal Secretary to Government, Forest, Environment and Ecology Department, PCCF and two<sup>34</sup> CCFs and 13 of 37 territorial<sup>35</sup> divisions. The sample selection was judgmental considering the magnitude of area covered under afforestation and expenditure incurred.

The audit objectives and criteria were discussed with the PCCF during the entry conference (February 2007) followed by discussion of audit findings with him in the exit conference (August 2007). The audit findings on the afforestation programme were based on the examination of records related to WPs, APOs, progress reports, sanctioned estimates, plantation journals, orders on diversion of forest land for non-forestry purposes, *etc.*

### Audit findings

### 3.5.6 Allocation of funds and expenditure

Afforestation in the State is carried under various State plan/non-plan schemes, Centrally Sponsored Schemes (CSS) and externally aided projects. Funds in case of externally aided projects and CSS are provided through budget allocations by the State for subsequent re-imburement by the funding agencies through Central Government. The year-wise position of funds allocated, released and expenditure incurred there against for afforestation<sup>36</sup> for the last five years ending 2006-07 was as under:

**Percentage of shortfall in release of allocated funds ranged from 16 to 40**

<sup>34</sup> Social Forestry and Development

<sup>35</sup> Bangalore (Rural), Bangalore (Urban), Belgaum, Bellary, Bidar, Chitradurga, Gadag, Gulbarga, Karwar, Kolar, Mangalore, Mandya and Tumkur

<sup>36</sup> Includes compensatory afforestation

(Rupees in crore)

Year	Budget allocation	Funds released	Expenditure	Percentage of shortfall in release of funds vis-à-vis allocation
2002-03	98.88	58.91	57.83	40
2003-04	77.92	57.33	54.19	26
2004-05	57.57	45.36	42.01	21
2005-06	89.47	53.94	50.58	40
2006-07	129.40	108.51	102.47	16
<b>Total</b>	<b>453.24</b>	<b>324.05</b>	<b>307.08</b>	<b>29</b>

Percentage of shortfall in release of allocated funds during 2002-07, which ranged from 16 to 40, was mainly in case of FEEP (Rs.70.42 crore) and KSFMB (Rs.55.30 crore) projects reasons for which were not on record.

### 3.5.7 Afforestation management

The National Forest Commission, in its report (March 2006) had recommended that each State should have its own forest policy within the broad parameters of the National Forest Policy, 1988 for sustainable management of its forest. The Government had not formulated any State forest policy (March 2007). State Forestry Action Programme drawn up (May 1996) by the Department for a 20 year period 1997-2017 for conservation, rehabilitation and extension of forestry activities and forest management with people's participation had also not been approved by the Government. The Government, however, introduced (June 2002) a scheme of Joint Forest Planning and Management (JFPM) for promoting participation of people living in periphery of forest areas and making them joint stakeholders. Under the scheme, Village Forest Committees (VFCs) were to prepare management plans for development and protection of degraded forests.

VFCs numbering 201 were not assigned any forest area and were non-functional

Out of 1,893 VFCs<sup>37</sup> constituted up to March 2007 in 13 test-checked divisions, 201 VFCs though constituted prior to March 2005 had not been assigned any areas. In six divisions<sup>38</sup> (789 VFCs), no management plans had been drawn up and no memorandum of understanding executed in respect of 90 VFCs. Annual assessment of the working of VFCs had not been done in any of the test-checked divisions as envisaged in the project manual.

#### 3.5.7.1 Formulation of Working Plans and Annual Plans of Operation

Afforestation is managed by drawing up WPs for a period of 10 years for each territorial division after undertaking field surveys. The WPs contain annual plans for conservation and protection of forest areas, improvement of degraded forests and reclamation of mined areas. These also outline the 'working areas' for afforestation in 'blank areas' or areas having a vegetation density<sup>39</sup> of less than 0.25 and 'protection and improvement' in areas having

<sup>37</sup> Includes 1,004 VFCs set up prior to 2002

<sup>38</sup> Bangalore (Rural), Bangalore (Urban), Belgaum, Gadag, Mandya and Kolar

<sup>39</sup> Vegetative density means *per cent* area covered by the canopy of trees. Also referred to as crown density.

vegetation density of 0.25 or more. The WPs are to be implemented by formulation of APOs which, *inter alia*, contain details of areas to be covered under afforestation and financial requirement thereof. The WPs are to be reviewed after every five years.

The WPs were approved by the Government for all the 37 divisions between 2001 and 2004. The WPs, however, did not project financial requirement for the identified activities which the PCCF agreed during exit conference to incorporate in WPs in future. Eleven WPs due for review in 2006-07 were not reviewed as of September 2007.

**The target for afforestation was short of that planned in the Working Plans due to low allocation of funds**

The targets for afforestation (1.70 lakh ha) in the State as fixed in the APOs were short of that planned in the WPs (2.73 lakh ha) for the years 2002-07 as budget allocations were insufficient to meet the WP targets. Besides, actual releases were even 29 *per cent* lesser during the period.

Lower allocation/release of funds for afforestation adversely affected achievements planned in the WPs/APOs.

### **3.5.8 Procurement of seeds and raising of seedlings**

The Department, after procuring seeds, raises seedlings<sup>40</sup> in its departmentally managed nurseries for planting them in forest areas and for distribution to public and other agencies.

#### **3.5.8.1 Procurement of seeds**

The Department collects seeds of different species from trees identified in the forests which are supplemented by local purchases at the level of Range Offices for raising seedlings in its nurseries. As per 'package of practices', forest guards and watchers are required to collect seeds from the forests from the listed trees screened after identification by Range Forest Officers (RFOs). In eight test-checked divisions where information was made available, seeds costing Rs.23.06 lakh were purchased during 2002-06.

No record of species-wise quantity of seeds collected, dates of collection or purchase and quality checks exercised was maintained in any of the test-checked divisions. The Department had also not prescribed any mechanism to ensure that the seeds collected/purchased are subjected to quality checks.

#### **3.5.8.2 Raising and distribution of seedlings**

The position of seedlings raised by the Department during 2001-02 to 2005-06 and distributed for planting in subsequent years was as under:

<sup>40</sup> Acacia, kamara, honge, bevu, sandal, tamarind, eucalyptus, arali, tapasi, bage, nelli, *etc.*

(Number in crore)

Year	Number of seedlings raised in departmental nurseries for planting by the		Year	Number of seedlings distributed for planting by	
	Department	Public		Department	Public
2001-02	3.80	3.07	2002-03	2.87	3.39
2002-03	1.58	3.59	2003-04	1.43	3.57
2003-04	1.86	1.69	2004-05	2.64	2.24
2004-05	2.11	1.53	2005-06	3.16	1.41
2005-06	4.79	3.57	2006-07	5.83	2.72
<b>Total</b>	<b>14.14</b>	<b>13.45</b>		<b>15.93</b>	<b>13.33</b>

**The number of seedlings reported as distributed for planting was more than those raised in the nurseries**

The number of seedlings shown distributed for departmental planting (11.63 crore) during 2004-05 to 2006-07 was more than that raised and available from departmental nurseries (8.76 crore). The Department had not investigated the reasons for the variations. Following other points were noticed:

- Of the 1.68 crore seedlings raised during 2005-06 under the scheme 'Raising of seedlings for public distribution', 64 lakh seedlings only were distributed to the public during 2006-07. Thirty seven lakh seedlings were used for departmental planting and the balance 67 lakh seedlings were retained for distribution during 2007-08. Raising of excess seedlings in contravention of departmental instructions (August 2005) resulted in avoidable expenditure of Rs.57 lakh<sup>41</sup> on their maintenance beyond one year period, besides adversely affecting their quality due to root coiling.
- The 'package of practices' requires that seedlings be raised by October of each year for planting them before July of the ensuing year. Delay in raising seedlings affects the survival and growth of planted seedlings. Of 4.96 crore seedlings raised during 2002-03 to 2006-07 in 11 test-checked divisions<sup>42</sup>, 3.73 crore seedlings were raised between November and March due to delay in release of funds. The adverse impact on the seedlings due to their un-seasonal raising had not been assessed.
- The Department took up construction of 17 mist chambers through Karnataka Forest Development Corporation Limited and Karnataka State Forest Industries Corporation Limited for raising clone seedlings which increase plant productivity. Advance payments of Rs.1.75 crore were released (March 2005) to the executing agency for completion of the work by April 2005. As of August 2007, only 15 mist chambers were completed. Delay in finalisation of tenders/location and change in design of mist chambers caused the delay in construction. Consequently, clone seedlings for increasing plant productivity were not raised.
- An expenditure of Rs.3.40 crore was incurred on purchase of seeds (Rs.23 lakh) in eight divisions and polythene bags (Rs.3.17 crore) in 13 test-checked divisions during 2002-07. However, no stock registers of seeds, fertilisers, polythene bags and other ingredients were maintained at divisional level in any of the test-checked divisions. These registers

<sup>41</sup> Cost of maintenance has been adopted at the rate of Rupee.0.85 per plant

<sup>42</sup> Bangalore Urban & Rural, Belgaum, Bellary, Bidar, Chitradurga, Gulbarga, Kolar, Mandya, Mangalore, and Tumkur

maintained at RFO level were incomplete as all transactions were not posted therein. In the absence of stock registers at divisional level and complete records at RFO level, adequate control over purchase and issue/consumption of inputs could not be ensured.

### 3.5.8.3 Avoidable expenditure on raising seedlings

**Watering charges were paid in nurseries at higher rates which resulted in avoidable expenditure of Rs.41.54 lakh**

Departmental Sanctioned Schedule of Rates provides different rates<sup>43</sup> for watering seedlings which are lower, where pipelines exist in a nursery than those where no pipelines exist. In eight of the 13 test-checked divisions, payments for watering seedlings in 85 nurseries where pipelines existed, were made to workers on cash payment basis at rates applicable for watering without pipelines on the ground that the pipelines were not functional. However, annual reports submitted by the divisional officers to the PCCF indicated that the pipelines were laid and functional in these nurseries. Making payments at higher rates resulted in avoidable expenditure of Rs.41.54 lakh<sup>44</sup> in eight divisions<sup>45</sup> during 2002-03 to 2006-07. In the exit conference the PCCF agreed to investigate the matter.

## 3.5.9 Afforestation

The Department carries afforestation in open and degraded forests and on non-forest lands which include Government waste lands, institutional lands, canals and roadside areas.

**Forest cover in the State was almost stagnant**

The actual increase in 'forest and tree' cover due to plantations in the forest areas was not assessed by the Department. As per Forest Survey of India reports, the extent of 'forest and tree cover' was 44.48 lakh ha in 2005 compared to 44.44 lakh ha in 2001 which represented 23.17 per cent of the State's geographical area. The forest cover alone also remained almost stagnant at 36.45 lakh ha in 2005, compared to 36.99 lakh ha in 2001.

### 3.5.9.1 Target and achievement

The targets and achievements under various schemes and externally aided projects<sup>46</sup> for planting seedlings and area covered under afforestation during 2002-03 to 2006-07 as per progress reports of the Department was as under:

<sup>43</sup> Varies from Rupee one to Rs.six per 1,000 seedlings

<sup>44</sup> Includes Rs.8.71 lakh in two divisions worked out at the minimum watering charges rate of Rs.1.20 per 1,000 seedling

<sup>45</sup> Bangalore Urban, Belgaum, Bellary, Bidar, Chitradurga, Gulbarga, Kolar and Tumkur

<sup>46</sup> Area Oriented Fuel wood and Fodder scheme (AOFF) a Centrally sponsored scheme, Development of de-graded forests (DDF) and Greening of Urban Area and Compensatory Afforestation scheme under State sector and externally aided FEEDP and KSFMBBC projects

(Number in crore)

Year	Number of seedlings planted				Area covered (lakh ha)	
	Targets		Achievements		Department	Public
	Department	Public	Department	Public		
2002-03	2.87	3.70	2.87	3.39	0.30	NA
2003-04	1.97	3.75	1.43	3.57	0.20	NA
2004-05	2.42	2.26	2.64	2.24	0.40	NA
2005-06	2.08	1.49	3.16	1.41	0.42	NA
2006-07	5.45	3.70	5.83	2.72	0.55	NA
<b>TOTAL</b>	<b>14.79</b>	<b>14.90</b>	<b>15.93</b>	<b>13.33</b>	<b>1.87</b>	<b>NA</b>

Records indicating location and survey number of areas covered by planting seedlings through public had not been maintained. Record of inspections made by departmental officers of the private farmlands and reports thereof were also not made available. The Department had thus, not monitored the effectiveness of distributing 13.33 crore seedlings (cost: Rs.14.66 crore)<sup>47</sup> to public for plantation during 2002-07.

### 3.5.9.2 Planting of seedlings

The WPs identified the areas for felling mature trees for subsequent afforestation. The planting of seedlings is required to be taken up within the areas earmarked in the WPs as per targets fixed in the APOs. Irregularities noticed in planting seedlings in deviation of WPs and prescribed norms were as under:

#### *Planting seedlings in deviation of WPs and norms*

The WPs prescribed carrying of afforestation in blank areas and areas having 0.25 vegetation density or less by block planting<sup>48</sup>. Areas with more than 0.25 vegetation of density required only protection and gap planting so as not to suppress natural regeneration associated with block planting. In deviation of these norms, block planting was undertaken in three divisions<sup>49</sup> during 2002-03 to 2006-07 (cost: Rs.1.40 crore) in areas earmarked for protection and gap planting in the WPs. This resulted in avoidable expenditure of Rs.39.43 lakh on block plantation. The PCCF in the exit conference agreed that block afforestation in areas identified for gap plantation would adversely affect the regeneration of existing root stocks.

**Avoidable expenditure of Rs.2.24 crore was incurred on planting excess seedlings**

The number of seedlings to be planted per ha is required to be regulated as per approved norms fixed on the basis of plant species and site conditions which include vegetation density. Planting more seedlings than that prescribed would hamper the growth of the seedlings due to root competition. Under FEEP project, against 65.45 lakh seedlings to be planted (including casualties) over an area of 0.24 lakh ha as per norms, 72.82 lakh seedlings were planted during 2001-02 to 2003-04 in deviation of the norms. This resulted in avoidable expenditure of Rs.2.24 crore on planting and maintenance of excess

<sup>47</sup> Assessed for 5''× 8'' bag size seedlings @ Rs.1.10 per seedling

<sup>48</sup> Block planting means planting in compact blocks of forest area having vegetation density less than 0.25

<sup>49</sup> Bangalore Rural, Bellary and Chitradurga

seedlings. The Department had not assessed the adverse impact on account of excessive planting due to root competition.

### ***Planting of exotic species***

Plant species are required to be selected on the basis of soil characteristics, climatic conditions and other factors like maintaining bio-diversity and nativity of already grown species. WPs envisaged avoiding raising of exotic and fast growing species in areas other than fuel wood areas for maintaining sustainable local forest species. The growth of miscellaneous local species gets hindered when planted with the fast growing exotic species.

**Exotic plant species were planted in larger area in violation of the Working Plan**

During the period 2002-07 various species were raised and planted over an area of 1.84 lakh ha of which, 0.91 lakh ha was covered by exotic species like acacia and eucalyptus. The miscellaneous species like kamara, honge, neem, tamarind, nelli, tapasi, sissu, were planted over an area of 0.44 lakh ha and remaining area of 0.49 lakh ha was planted with timber species like teak, softwood, bamboo, canes, and sandalwood. The exotic species were raised without drawing site specific plans for each area. The selection of fuel wood species for each specific local area was also not based on the actual requirement of fuel wood.

In Belgaum Division, 105 ha area was covered by 1.60 lakh acacia seedlings and 0.09 lakh native species (cost: Rs.14.76 lakh) during 2002-03 and 2006-07 without drawing up site specific plans and making choice of species on the basis of soil characteristics in spite of WPs requirements of keeping the exotic species to a bare minimum.

In Karwar Division, of the total planted area of 4,664 ha, exotic acacia plantations were raised over an area of 2,986 hectares (64 per cent) during 2001-02 to 2005-06.

The Department had not assessed the impact of planting exotic species in violation of WPs/norms, on the hydrological cycle of ground water and soil characteristics.

### ***Irregular replanting***

**Avoidable expenditure of Rs.13.17 lakh on replanting of seedlings**

The WPs required that for sustainable growth, replanting eucalyptus trees in felled areas could be undertaken after three-ten-yearly<sup>50</sup> cycles of harvesting. Felling of trees is to be carried out in identified areas as per approved WPs and APOs of each Division subject to the condition that afforestation is carried out in the felled areas in the subsequent year unless approved otherwise by the Central Government.

Replanting of eucalyptus plants over an area of 136 ha (expenditure: Rs.13.17 lakh) was done in Bangalore (Rural) Division during 2002-03 (20 ha) and 2005-06 (116 ha) after first rotation of 10 years, contrary to

<sup>50</sup> Three-ten yearly cycles of harvesting involve extraction of matured eucalyptus plantations at the end of each ten year period



prescribed norms which resulted in avoidable expenditure of Rs.13.17 lakh. The DCF, Bangalore (Rural) stated that replanting in these areas was done by oversight.

### 3.5.9.3 Rehabilitation of degraded forests

The rehabilitation of degraded forests is done by undertaking gap planting and cultural operations for natural regeneration in 'working areas' as identified in WPs. Forests are protected from degradation by demarcating the forest areas and taking preventive measures against fire, encroachments and illegal mining and grazing.

**Rehabilitation of degraded forest areas suffered due to paucity of funds**

Of the total territorial forest area<sup>51</sup> of 30.04 lakh ha in the State, the degraded forest area assessed (2001-02) by the Department was 8.63 lakh ha. The assessment was made on the basis of 'vegetation density' without assessing the level of degradation on the basis of parameters like depletion in soil conditions, moisture regime, nutrient availability, biomass production and capacity to regenerate. Besides, the Department had not assessed the extent of degradation which occurred after 2001-02. In 11 test-checked divisions, against 3.10 lakh ha identified in the WPs as degraded forest areas, only 0.24 lakh ha was rehabilitated by undertaking planting and cultural operations as planned in APOs. DCFs in reply (April-June 2007) stated that more areas were not taken up due to paucity of funds.

### 3.5.9.4 Compensatory afforestation

Forest (Conservation) Act, 1980 (Act) imposes restrictions for de-reservation of reserved forests and use of forest land for non-forest purposes for which approval is required to be obtained from the Central Government which is given subject to fulfilment of prescribed conditions in each case. The main condition governing such diversion is carrying out 'Compensatory Afforestation' (CA) on equivalent identified non-forest land and twice the area over degraded forests, if non-forest land is not available or is less available. Departmental instructions provide that CA should be taken up soon after land is diverted for non-forest purposes by recovering the cost at the prescribed rate in advance from the user agencies. In addition 'Net Present Value' (NPV)<sup>52</sup> of the existing forests is also recoverable from 31 October 2002.

CA charges were to be kept in a separate bank account under the 'Compensatory Afforestation Fund Management and Planning Authority' (CAMPA) fund created (April 2004) at the Central level. CAMPA fund mainly comprises charges towards CA, 'Catchment Area Treatment Plan' (CATP)<sup>53</sup> and NPV of the forest land diverted. The fund is to be administered at the Central level by a Governing body headed by the Minister for Environment and Forests and at the State level by State Level Steering Committee (SLSC) headed by Chief Secretary and State Management Committee (SMC) headed by PCCF. However, pending creation of the post of Chief Executive Officer at the Central level, an *ad hoc* body for

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<sup>51</sup> Excluding wildlife areas

<sup>52</sup> NPV is determined based on the quality and density of forests

<sup>53</sup> CATP: CATP works are carried as part of afforestation works

administering the fund was created (May 2006) on the directions from Supreme Court. In the State, while SLSC and SMC stood constituted (June 2004), the APO for carrying CA sent to Government of India (June 2006) was awaiting approval, reasons for which were not on record. CA charges received from user agencies, up to December 2004, were credited to 'Karnataka Forest Development Fund' (KFDF) and kept as Government deposit.

The accumulated balance of CA retained as Government deposits was Rs.361.22 crore as of December 2006. Of this, Rs.359.73 crore only was transferred (January/February 2007) to CAMPA fund of the Central pool. The balance, with further accumulation during January 2007 to March 2007 under the Government deposit, rose to Rs.156.14 crore. Reasons for not transferring the entire amount to the Central pool were not on record. Delayed/non-transfer of entire accumulated amount resulted in loss of interest of Rs.13.52 crore<sup>54</sup> for the period from May 2006 to August 2007 to the fund.

An area of 22,083 ha<sup>55</sup> forest land was diverted in the State for non-forest purposes as of September 2006. Against this, non-forest/ degraded forest land earmarked for CA was 16,632 ha of which 14,555 ha were afforested leaving 2,077 ha uncovered. The remaining area was not covered due to short allocation of funds for CA.

#### ***Short recovery of CA charges***

**CA charges of Rs.84.99 lakh were short recovered**

CA charges of Rs.84.99 lakh in six cases of five<sup>56</sup> divisions were recovered short as per assessment details given in **Appendix-3.4**. In another case, CA charges of Rs.3.06 crore for diversion (December 2002) of 565 ha forest land (value: Rs.27.88 crore) was borne by the State Government and not recovered from the user agency *viz* Karnataka Industrial Investment and Development Corporation Limited for establishing Bangalore International Airport which in turn sub-leased the land to a joint venture company, Bangalore International Airport Limited. Charges on account of environmental loss were also not assessed for recovery by the Government as per the condition granting approval to diversion.

#### ***Under-assessment of NPV***

**NPV of Rs.3.26 crore was assessed short due to adoption of lesser value of forest density in 11 cases**

NPV as part of CAMPA charges is to be assessed and recovered at the specified rates of that range, from Rs.5.80 lakh to Rs.9.20 lakh per ha depending upon the type of forest land and density of the forest. The NPV was, however, calculated in 11 cases<sup>57</sup> taking the density value lower than that mentioned in the proposals sent to Government of India for obtaining approval for diversion of forest land. Adoption of lesser value of forest density resulted in under-assessment of NPV by Rs.3.26 crore of which, Rs.2.89 crore

<sup>54</sup> Calculated at the rate of 4.5 per cent

<sup>55</sup> Excluding encroached forest land of 14,849 ha

<sup>56</sup> Bangalore (Rural), Belgaum, Bidar, Gadag and Mangalore Divisions

<sup>57</sup> In Belgaum, Bellary, Chitradurga, Davangere and Tumkur Divisions

pertained to 10 private agencies and the balance Rs.37 lakh pertained to a Government department. Reasons for adoption of lesser density by the respective DCFs were not on record. PCCF in the exit conference stated that the matter will be examined.

### ***Diversion of CA charges***

DCF, Belgaum, under directions from Government of India, executed (1999 to 2007) CATP works in 440 ha of forest land for overcoming environmental impact due to setting up of a hydro-electric project in Maharashtra. Funds amounting Rs.1.39 crore were received (2000 to 2007) for the purpose from Government of Maharashtra. The CATP works<sup>58</sup> (estimated cost: Rs.78.76 lakh) were executed (expenditure: Rs.1.39 crore)<sup>59</sup> by splitting the estimates so as to keep them within the delegated financial powers of the DCF without including them in the APOs of the Division. The area covered included an area of 95 ha (expenditure: Rs.29.45 lakh) falling under the catchment area of Malaprabha river which was outside the project's catchment area. Undertaking the works outside the project area resulted in diversion of CA funds of Rs.29.45 lakh, reasons for which were not on record.

### ***3.5.9.5 Maintenance of plantations***

Plantations raised under FEEP project provided for their maintenance ranging from three to five years from the year of planting. As per 'package of practices', each Range Office is required to maintain an overall inventory of old and new plantations indicating village, survey number, year of plantation, species planted and their survival status.

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

The inventory of plantations was not maintained in seven<sup>60</sup> of 13 test-checked divisions. The plantation journals maintained in the remaining divisions, did not indicate the survival rate of plantations beyond the planting year and there were no reports of periodical inspections except in Karwar Division. Test-check of sample of 533 'plantations' raised during 2002-06 (expenditure: Rs.13.83 crore) indicated that the soil characteristics were not recorded in respect of 153 'plantations' (area: 2,416 ha) while details of previously existing species were not recorded in respect of 136 'plantations' (area: 2,002 ha).

Of 84 lakh seedlings planted (area: 0.20 lakh ha) under the FEEP project during 2001-02 to 2003-04 (expenditure: Rs.18.53 crore), 80 lakh seedlings (0.10 lakh ha) planted were not maintained in subsequent one to three years as no funds were sought while preparing budget estimates or were not made available after the expiry of project period (2004-05). In Chitradurga Division, plantations (77,505 seedlings) raised over an area of 65 ha in 2002-03 (expenditure: Rs.5.77 lakh) under Centrally sponsored scheme of Association of Scheduled Tribe & Rural Poor in Regeneration of Degraded

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<sup>58</sup> Includes afforestation (305 ha), contour trenches (7,000 cum), check dams (10 numbers), gully plugging (300 numbers) and raising grass plots (100 ha).

<sup>59</sup> Including maintenance expenditure

<sup>60</sup> Bangalore Rural and Urban, Belgaum, Bidar, Gadag, Gulbarga and Kolar

Forests on usufructs basis were maintained only for two years instead of three years due to discontinuance of the scheme after 2004-05. The adverse impact on the survival and growth of plants could not be assessed due to non-maintenance of relevant records.

In the absence of record of inventories and survival rate, the Department did not maintain the record of plantation assets created and monitor their growth-status. In the absence of record of soil characteristics and details of previously existing species, the Department had no mechanism to monitor and verify that seedlings were raised and planted according to site specific conditions. The DCFs in reply while admitting the shortcomings, issued instructions (June/July 2007) directing Assistant Conservator of Forests and RFOs to update the plantation journals.

### **3.5.10 Monitoring and evaluation**

Monitoring of afforestation in the State was confined to obtaining monthly reports of physical and financial achievements and holding monthly meetings at different levels which were ineffective in the absence of addressing issues like survival rate of plantations, ensuring correctness of the figures of achievement reported and obtaining reports of inspections made for taking remedial action. The CF as a nodal officer did not monitor adherence to the conditions of approval for diversion of forest land and survival rate of CA plantations. Review of fulfillment of the conditions of approvals for diversions on account of mining was also not done.

The departmental evaluation report (July 2005) of plantations raised during 2002-04 while indicating a survival rate ranging from 4 to 100 *per cent* pointed out that the survival rate was low for indigenous species due to poor soil and site conditions, planting of non-suitable species and damages due to fire, weeds, pathogen attack and drought condition. It also pointed out that CA was done without proper choice of species, identification of site and planting pattern.

The report (September 2005) of implementation and evaluation of plantations raised during 1997-98 to 2004-05 under FEEP project made through an external agency after their field survey had pointed out that the survival rate ranged from nil to 100 of which it was less than 50 in 23.3 *per cent* of the plantations. The low survival rate was attributed to various reasons that included drought conditions during 2001-04, root competition, biotic pressure, lack of protection and poor maintenance.

No follow up action had been taken on the findings of the evaluation reports, reasons for which were not on record.

### **3.5.11 Conclusion**

The Government had not formulated any forest policy for sustainable management of forests. The targets set in APOs for afforestation were quite lower than those planned in the WPs due to insufficient budget allocations. Afforestation was adversely affected due to absence of quality checks on seeds procured, raising and planting of seedlings in deviation from 'package of practices'/norms and planting exotic species without site specific plans. Inventory of plantations was not maintained in all the test-checked divisions. Plantation journals were maintained, did not monitor the survival rate beyond the planting year. Ineffective monitoring and non-utilisation of CA funds also affected the implementation of the scheme.

### **3.5.12 Recommendations**

- Budget allocations should be released in full in accordance with the requirement of afforestation activities which should be planned after adopting a State forest policy and committing funds for it.
- It should be ensured that seedlings are raised in all cases as per the 'package of practices' and planted according to site specific plans.
- The plantations raised should be maintained for the prescribed period and survival rate of plantations beyond the planting year recorded in the plantations journals.
- Correct assessment of various components of CA charges should be ensured by putting in place a system of cross check.
- The findings of the evaluation reports need to be deliberated and follow up action taken within a time frame.

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

## EDUCATION DEPARTMENT

### 3.6 Grant-in-Aid for Technical Education

#### 3.6.1 Introduction

Government framed (October 1966) Grant-in-Aid Code for Technical Education Department (Code) to encourage private enterprises in technical education. Grants to the Private Engineering Colleges and Polytechnics are governed by the provisions of this Code and were entitled to maintenance grants, building grants, equipment grants and grant towards loss of fee income. Of the total 313 technical institutions<sup>61</sup> in the State as on 31 March 2007, 10 Engineering Colleges and 34 Polytechnics were in receipt of maintenance grants from the Government.

The Principal Secretary to the Government, Department of Higher Education was the administrative head and the Director of Technical Education (DTE) assisted by an Additional Director, five Joint Directors and six Deputy Directors, was in-charge of releasing grants to the institutions. The DTE was also responsible for ensuring strict compliance by the grantee institutions to the codal provisions and the Government orders issued from time to time.

The release of maintenance grants and their utilisation by the institutions during the period 2002-07 was reviewed (February-May 2007) in Audit by test-checking the records of 10 Engineering Colleges, 34 Polytechnics, the Directorate and the Administrative Department. The important findings were as under:

#### 3.6.2 Release of excess grants

The amount of maintenance grants released to the Engineering Colleges and Polytechnics during the period 2002-07 was as shown below:

(Rupees in crore)

Year	Grants released to		Total grants released
	Engineering Colleges	Polytechnics	
2002-03	37.44	5.80	43.24
2003-04	18.99	6.04	25.03
2004-05	20.82	24.62	45.44
2005-06	20.96	20.75	41.71
2006-07	14.85	18.16	33.01
<b>Total</b>	<b>113.06</b>	<b>75.37</b>	<b>188.43</b>

<sup>61</sup> 120 Engineering Colleges, 184 Polytechnics, six Junior Technical Schools and three Fine Arts Colleges.

**Ad hoc grants released in advance to the colleges/polytechnics were far in excess of the grants actually admissible**

As per the provisions of the Code and orders of the Government from time to time, the grantee institutions were entitled to maintenance grants equal to 85 *per cent* of 'approved maintenance expenditure' actually incurred by them during the relevant academic year. The approved maintenance expenditure comprised salaries of teaching and non-teaching staff, their traveling allowances, maintenance and repairs of buildings (at a maximum three *per cent* of their capital cost), rent, insurance, interest on borrowings, etc. The Code also provides for payment of 'on account' grant (*ad hoc* grants) equal to the actual maintenance grant sanctioned for the previous year to the institution or the probable grant due for the current year based on the budget estimates. The *ad hoc* grants were subject to final adjustment in the following year. Records disclosed that the departmental audit (conducted by the Controller of State Accounts) while inspecting the accounts of 43 grantee institutions had observed (2003-07) instances of release of excess *ad hoc* grants by the DTE without reference to the norms prescribed in the Code. However, no action was taken by the DTE to devise a suitable mechanism to recover/adjust these excess payments. The total excess payment due for recovery/adjustment as at the end of March 2007 was Rs.18.84 crore. Besides, the departmental audit while computing the admissible grants in respect of 16 institutions for the years 2004-06, reckoned maintenance expenditure at cent *per cent* instead of the admissible 85 *per cent* resulting in an additional excess payment of Rs.20.01 lakh (**Appendix-3.5**).

**Non-remittance of 50 per cent of fee collected by the institutions was not reckoned while releasing *ad hoc* grants to them**

The grantee institutions also did not remit 50 *per cent* of the fee collected by them during the period 2002-04 to the Government account as required under Government orders. The DTE did not observe this omission either at the time of releasing *ad hoc* grants or after the closure of the financial year. The departmental audit too, failed to reckon the non-remittance of the fees while computing the admissible grants. Consequently, Rs.13.26 crore was paid in excess to the institutions on this account. The total excess grants so released during the period 2002-06 was Rs.32.11 crore (**Appendix-3.6**). Action taken to fix the responsibility for releasing excess grants and to recover the same from the grantee institutions together with interest was not forthcoming. The Government in their reply (November 2007) stated that the excess grants paid to the institutions would be recovered.

### **3.6.3 Application of Grants**

Test-check of records of the colleges and polytechnics showed the following irregularities:

#### **3.6.3.1 Incorrect fixation of pay under revised All India Centre of Technical Education (AICTE) scales of pay**

**Incorrect fixation of pay resulted in excess payment of grant of Rs.64 lakh**

Government extended (June 2000) the benefit of revised AICTE Scales of Pay with retrospective effect from 1 January 1996. These scales of pay were extended to the teaching staff of the colleges and polytechnics with effect from 1 April 1999 and 1 July 2000 respectively. According to the Government Orders, the pay of the Selection Grade Lecturers having served for five years

as on 1 January 1996 and drawing a pay of Rs.4,325 in the existing scale of pay (Rs.3,700-7,500) was to be fixed at Rs.14,940 in the Revised Scale of Pay of Rs.12,000-18,300. This benefit was, however, not applicable to those who were drawing a pay of Rs.4,325 but who had not completed five years of service as on 1 January 1996 as per these orders.

Records disclosed that the DTE approved the fixation of pay in the revised scale at Rs.14, 940 to some of the lecturers who were drawing pay at a stage less than Rs.4,325 in the existing scale. This incorrect fixation of pay in respect of 51 lecturers in nine colleges resulted in excess payment of grant-in-aid of Rs.64 lakh on account of salary (excluding allowances) during the period January 1996 to March 2007 to these colleges. The pay fixation needs to be regulated as per the Government Orders and the excess grant-in-aid recovered/adjusted from the future grants payable to these colleges and polytechnics. Government agreed (November 2007) to examine the matter and take remedial action.

### 3.6.3.2 Incorrect reckoning of eligibility date

Government admitted (15 October 1992) Dr.Ambedkar Institute of Technology to grant-in-aid scheme. Accordingly, the liability of the Government to release grants accrued from 15 October 1992 only. The department, however, released grants-in-aid in respect of the staff of this college with effect from 1 April 1992 instead of from the date of its admission to the scheme, viz., 15 October 1992. The excess payment on this account during the period April 1992 to March 2007 was Rs.14 lakh. Government agreed (November 2007) to examine the matter.

### 3.6.4 Non-accreditation of grantee institutions

**27 polytechnics had not obtained NBA accreditation**

AICTE made (October 2003) mandatory for all engineering colleges and polytechnics established before or during the academic year 1985-86 to obtain accreditation for the courses being taught in these institutions from National Board of Accreditation (NBA), New Delhi before 31 March 2004. Accordingly, Director issued (October 2003) instructions to all the engineering colleges and polytechnics to obtain NBA accreditation before 31 March 2004. It was, however, noticed that 27 polytechnics established before 1985-86 had not applied for accreditation for the courses being taught in these institutions. Nevertheless, grants amounting to Rs.44.07 crore were released to the polytechnics during 2004-07. Government stated (November 2007) that the institutions would be asked to obtain the accreditation by October 2008.

### 3.6.5 Conclusion

The DTE did not ensure that the *ad hoc* grants released to the grantee institutions was limited to only 85 per cent of the approved maintenance expenditure and that the grantee institutions remitted 50 per cent of the fees collected by them to the Government resulting in accumulation of excess grants with the institutions. No mechanism was also devised to watch their



expeditious recovery/adjustment. Non-adherence to the grant-in-aid Code and the Government Orders resulted in release of excess salary grants.

### **3.6.6 Recommendations**

- The amount paid in excess to the institutions should be recovered/adjusted immediately together with interest thereon.
- Action should also be taken to ensure remittance of 50 *per cent* of fees collected by the Institutions before release of fresh maintenance grants.
- The role and lapses of the Departmental Officers responsible for release of excess grants should be investigated and responsibility fixed expeditiously.
- Accreditation of 27 polytechnics from NBA should be ensured for releasing future grants.

Reply of the Government (November 2007) has been incorporated at appropriate places.

## REVENUE DEPARTMENT

### 3.7 Administration and Utilisation of Calamity Relief Fund

#### 3.7.1 Introduction

The Government of India (GOI), based on the recommendations of the Ninth Finance Commission approved (January 1991) the Calamity Relief Fund (CRF) Scheme to provide immediate relief to the victims of cyclone, drought, earthquake, fire, flood, hailstorm, *etc.* The size of the CRF for each year is decided by the GOI of which 75 *per cent* is contributed by them in the form of non-plan grants. The balance 25 *per cent* is met by the State Government. The operation of CRF was continued by successive Finance Commissions and the XII Finance Commission continued it up to 2009-10. A State Level Committee<sup>62</sup> (SLC) constituted by the State Government with Chief Secretary as the Ex-officio Chairperson was responsible for administration of the CRF. The guidelines issued by GOI provided for audit of CRF by the Comptroller and Auditor General of India.

The GOI also set up (2000-01) a National Calamity Contingency Fund (NCCF) to provide relief assistance to the States in excess of the balances available in their CRF in the event of the natural calamities of severe nature. The NCCF was fully funded by the GOI for which purpose a special surcharge on the Union taxes was levied by the Central Government. The NCCF too was meant for providing immediate relief to the victims of the calamity and the SLC was responsible to monitor its proper utilisation.

The implementation of the schemes during the period 2002-03 to 2006-07 was reviewed (February-May 2007) by test-checking the records of the Secretary (Disaster Management), Revenue Department, Deputy Commissioners (DCs) and 53 out of 504 Implementing Officers (IOs) in nine districts<sup>63</sup>. The important findings noticed were as under:

#### 3.7.2 Financial Management

##### 3.7.2.1 Receipts and Expenditure

The total receipts and expenditure under the CRF during the period 2002-07 were as follows:

**Table 1: Receipts and Expenditure**

(Rupees in crore)

Year	Opening balance	Receipts			Expenditure	Closing balance
		CRF	NCCF	Total		

<sup>62</sup> The Committee consists of officials who are normally connected with relief work and experts in various fields in the State.

<sup>63</sup> Bangalore (Rural), Belgaum, Chitradurga, Davanagere, Gulbarga, Hassan, Kolar, Shimoga and Tumkur.

		Central share	State share				
2002-03	Nil	61.66	22.55	196.88	281.09	274.42	6.67
2003-04	6.67	64.74	21.58	316.47	409.46	363.63	45.83
2004-05	45.83	67.98	22.66	63.62	200.09	199.09	1.00
2005-06	1.00	86.00	28.67	358.85	474.52	600.95	(-) 126.43
2006-07	(-)126.43	113.98	30.10	384.97	529.05	401.62	1.00
<b>Total</b>		<b>394.36</b>	<b>125.56</b>	<b>1,320.79</b>	<b>1,894.21</b>	<b>1,839.71</b>	

Excess expenditure of Rs.126.43 crore during 2005-06 was due to withdrawal of Rs.158.15 crore (August 2005) by GOI out of their share and the same was met out of the State Consolidated Fund.

### 3.7.2.2 Outstanding utilisation certificates

Records of the test-checked districts disclosed that the DCs had not furnished Utilisation Certificates (UCs) aggregating Rs.322.86 crore relating to the period 2000-07 (**Appendix-3.7**). The DCs of Gulbarga and Kolar districts stated (April 2007) that UCs will be furnished on receipt of the same from the IOs.

### 3.7.2.3 Non-maintenance of cash book and non-reconciliation of cash balances by the IOs

Records of the 53 IOs in the test-checked districts disclosed that the cash book for CRF transactions had not been maintained by the 12 IOs<sup>64</sup> during the period 2002-07. In respect of nine<sup>65</sup> other IOs, the difference of Rs.3.24 crore between the CRF cash book and the bank pass book had not been reconciled as of February/March 2007. Out of these nine, three<sup>66</sup> IOs had cash balances exceeding the Bank balances by Rs.70.22 lakh. No action was taken to reconcile the difference. Non-maintenance of the scheme cash book coupled with non-reconciliation of differences was fraught with attendant risk of serious financial irregularities. The DCs/Revenue Department and the SLC failed to ensure proper maintenance of records of cash.

### 3.7.2.4 Investments from CRF

**The accretions to the CRF were not invested in Government securities as required**

The scheme guidelines provide that the CRF is constituted in the Public Account of the State Government and classified under the Head "8235-General and Other Reserve Funds-111 Calamity Relief Fund". All accretions to the CRF together with the income earned thereon were to be invested in specified Government securities and accounted separately (Head 8235-General & Other Reserve Funds-112 CRF Investment Account) in the Public

<sup>64</sup> Tahasildars of Bangarpet, Channarayapatna, Chitradurga, Davanagere, Hassan, Hiriyur, Hosakote, Kolar, Madhugiri, Ramnagara and Executive Engineers of Panchayat Raj Engineering Divisions of Chikkodi and Kolar.

<sup>65</sup> DCs of Gulbarga (Rs.28.85 lakh) & Hassan (Rs.114.10 lakh), Executive Engineers of Panchayat Raj Engineering Divisions of Tumkur (Rs.19.61 lakh), Channarayapatna (Rs.40.64 lakh) & Sagar (Rs.113.67 lakh), Tahasildars of Belgaum (Rs.5.42 lakh), Bhadravathi (Rs.0.64 lakh), Shikaripur (Rs.0.73 lakh) & Tumkur (Rs.0.79 lakh).

<sup>66</sup> DC-Gulbarga (Rs.28.85 lakh), Executive Engineer of Panchayat Raj Engineering Division-Channarayapatna (Rs.40.64 lakh) and Tahasildar-Shikaripur (Rs.0.73 lakh).

Account so that the transactions of the CRF are kept outside the General Revenues of the State Government.

The CRF was constituted in the State but accretions in the fund were not invested in the Government securities as required under the scheme guidelines. Consequently, the interest on the unspent balances could not be earned.

### 3.7.2.5 Delay in restoration of frozen cash balances to CRF

Government in Finance Department had frozen (August 2003) the CRF balances remaining with the DCs in their Personal Deposit (PD) Accounts on the ground that there were huge differences in the cash balances of the PD account and the District Treasury. These balances were transferred to a separate account viz., Miscellaneous Deposit Account. The frozen accounts were later revived (August 2003) subject to reconciliation of the differences by the DCs. These differences were reconciled by the DCs during December 2003 and thereafter the reconciled balances were ordered (January 2004) to be restored to CRF account of the respective DC.

**Unspent balance of Rs.14.24 crore under CRF in four districts had not been restored to CRF**

In the test-checked districts of Bangalore (Rural), Hassan, Shimoga and Tumkur, Rs.14.24 crore was to be restored to CRF which had not been done by the District Treasury Officers even after a lapse of three and a half years (March 2007). The SLC too, did not ensure immediate restoration of these specific grants to CRF. The retention of Rs.14.24 crore outside the CRF was irregular.

### 3.7.2.6 Short credit of interest to CRF

Government while ordering restoration of reconciled balances to the CRF (January 2004), also directed that interest realised on CRF funds kept in the banks shall be credited to the general revenues of the State Government (Head 0049-Interest Receipts). Accordingly, the DC, Tumkur, credited Rs.38.76 lakh to the Government account. The orders of Government were contrary to the scheme guidelines (Paragraph 7) and the action of the DC, Tumkur resulted in short credit of Rs.38.76 lakh to the CRF. Neither the Revenue Department in Government nor the SLC took any action to get the interest credited to the CRF.

### 3.7.2.7 Excess release of CRF funds to DCs and the IOs

**Funds were released to DCs without reference to their actual requirement resulting in accumulation of Rs.80.07 crore at the end of March 2007**

The funds were released to the DCs for calamity relief works on receipt of initial assessment reports and position of funds available with the DCs/IOs. Review of the records in the test-checked districts revealed that huge balances were lying in the PD account of CRF/NCCF of the DCs at the end of each year during the period 2002-07 as detailed below:

**Table 2: Balances under CRF-PD Account**

Year	(Rupees in crore)								Total
	DC, Bangalore	DC, Tumkur	DC, Davanagere	DC, Gulbarga	DC, Belgaum	DC, Shimoga	DC, Hassan	DC, Chitradurga	
2002-03	6.52	-	-	4.57	-	3.41	2.03	0.78	17.31

2003-04	4.83	3.59	2.88	0.97	2.97	1.51	2.31	3.65	22.71
2004-05	1.98	1.33	1.40	5.36	0.74	0.77	1.30	3.71	16.59
2005-06	3.34	3.75	1.76	0.98	4.21	2.94	0.46	1.70	19.14
2006-07	6.57	17.23	8.12	12.61	15.74	5.52	3.16	11.12	80.07

Funds were released by the Government to DCs without reference to their actual requirement resulting in accumulation of unspent balance at the end of each year.

The DCs of test-checked districts<sup>67</sup> also released funds in excess to the IOs and no action was taken by the DCs to get back the unspent balances and remit them to the State CRF along with unspent amounts in their own CRF-PD account. The unspent balances with the IOs at the end of March 2007 was Rs.8.71 crore including an interest of Rs.99.83 lakh earned thereon (**Appendix-3.8**). Consequently, the position regarding the actual unspent balance in the State CRF was also understated.

### **3.7.3 Utilisation of CRF and the NCCF**

The GOI revised (April 2003) the list of items and norms of expenditure to be followed by the States for incurring expenditure from CRF and NCCF and requested the State Government to ensure strict compliance with these items and norms while spending the funds. Accordingly, rescue, relief and rehabilitation measures such as providing drinking water supply and medical relief, clothing and utensils, financial assistance to rehabilitate the victims, *etc.*, were to be taken up for immediate relief. Besides, repairs to/restoration of the damaged infrastructure relating to communication, power, public health, primary education and community owned assets could also be taken up out of CRF funds if only such repairs/restoration were of immediate nature and approved by the National Centre for Calamity Management (NCCM) or the SLC or the Central Team visiting the place of calamity.

#### **3.7.3.1 Diversion of CRF/NCCF**

Contrary to the items and norms prescribed by GOI and circulated by the State Government (March 2002/July 2003), the CRF funds aggregating Rs.41.97 crore (**Appendix-3.9**) were diverted by the Revenue Department and the DCs of test-checked districts as detailed below:

<sup>67</sup> Bangalore (Rural), Belgaum, Chitradurga, Davanagere, Gulbarga, Hassan, Kolar, Shimoga and Tumkur.

**Rs.41.97 crore was diverted for land acquisition, purchase of vehicles, computers, television sets and construction and repair of roads and buildings not permitted under the guidelines**

- Rupees 23 crore was diverted (August 2006) for acquisition of lands and shifting of flood affected villages in six districts<sup>68</sup> although according to the scheme guidelines such capital expenditure was to be met out of Plan funds.
- Rupees 17.36 crore was diverted for construction/repair of school, office and residential buildings, construction of stadium gallery, formation/improvement/repairs to roads including asphaltting in cities, bus depots *etc.*, although these works were not of the nature of providing immediate relief to calamity victims nor they had the approval of NCCM/SLC.
- Rupees 1.61 crore was diverted for purchase of vehicles, computers and TV sets and to meet fuel and stationery expenses besides payment of consultancy charges towards third party inspection of the works executed under the CRF which was in violation of the prescribed norms.

Although a mention was made at paragraph 3.5 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 1998 on irregular diversion of CRF funds, diversion of these funds persisted. Obviously, effective rectificatory action had not been taken by the Government/DCs.

### **3.7.4 Monitoring**

**The implementation of the scheme was not monitored effectively**

The scheme guidelines provide that the SLC is responsible not only for financing relief expenditure from the CRF but also to ensure that the money drawn from the CRF was utilised in accordance with the objectives of the scheme. Non-investment of accretions in the Fund, accumulation of unspent balances with the IOs/DCs, diversion of scheme funds, non-obtaining of UCs and deficient maintenance of cash records indicated poor monitoring.

### **3.7.5 Conclusion**

The administration of CRF was not effective as the funds were not invested in Government securities. Further, funds were released to the DCs and IOs in excess of their requirements leading to accumulation of unspent balances with them. Non-maintenance of cash books, non-reconciliation of expenditure with the bank/treasuries and non-submission of UCs for over Rs.300 crore together with large scale diversion of funds indicated poor monitoring of the scheme by the SLC.

### **3.7.6 Recommendations**

- Immediate measures should be taken to invest the CRF accretions in specified Government securities as per the scheme guidelines.
- The frozen balance of CRF-PD Account of DCs should be transferred immediately to the State CRF so as to invest them gainfully.

<sup>68</sup> Bagalkot (Rs.6.03 crore), Belgaum (Rs.15.70 crore), Bijapur (Rs.0.15 crore), Gulbarga (Rs.0.56 crore), Koppal (Rs.0.04 crore) and Raichur (Rs.0.52 crore).

- Unspent balances with the DCs and the IOs should be transferred to the State CRF immediately and necessary instructions issued to them to refund the unspent balances promptly at the end of each year.
- Utilisation of CRF for the approved objects need to be closely monitored. The awaited UCs should be obtained from the IOs and the IOs made responsible for timely submission of UCs.

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

## **SOCIAL WELFARE DEPARTMENT**

### **3.8 Working of the Karnataka Residential Educational Institutions Society**

#### **3.8.1 Introduction**

The Karnataka Residential Educational Institutions Society (Society) was established (October 1999) by the Government for the management of the residential schools of the Department of Social Welfare, Backward Classes and Minorities. The objectives of the Society were to prepare, introduce and supervise the curricular and other educational programmes of the students studying in the residential schools, organise and conduct study courses, conferences, lectures, *etc.*, for the benefit of the students and to construct and maintain buildings and receive and hold assets necessary for the smooth administration of the schools and the Society. The Society was authorised by the Government to draw loans from financial institutions on the guarantee given by the Government for construction of residential schools and also to repay them out of the budget provisions to be made by the Government under the respective Departments. The Society was audited by the Comptroller and Auditor General of India under Section 14(1) of the Duties, Powers and Conditions of Service Act, 1971.

The Governing Council of the Society had 15 members with the Principal Secretary to Government, Social Welfare Department as the ex-officio Chairman of the Council. The other members included Secretaries and Directors of the Education, Social Welfare and Backward Classes Departments and five nominated members of whom one member was a person nominated by the National Council of Education, Research and Training (NCERT) and the other three being eminent educationists nominated by the State Government. The Executive Director of the Society was the Member Secretary to look after the administration of the Society and the schools affiliated to it.

The working of the Society during the period 2002-07 was reviewed (January to April 2006 and July 2007) by test-check of the records of the

Executive Director, three District Officers and 25 residential schools. The results of test-check are brought out in the succeeding paragraphs.

### 3.8.2 Financial Management

The Society received grants-in-aid from Government of India (GOI) and the State Government and raised loans from Housing and Urban Development Corporation (HUDCO). The total receipts and expenditure of the Society during the period 2002-07 were as follows:

(Rupees in crore)

Year	Opening Balance	Loan from HUDCO	GOI grants	GOK grants*	Total	Expenditure	Closing Balance
2002-03	16.63	36.30	5.71	22.05	80.69	60.77	19.92
2003-04	19.92	20.00	3.40	24.87	68.19	51.78	16.41
2004-05	16.41	5.00	6.40	30.55	58.36	41.08	17.28
2005-06	17.28	-	1.00	38.96	57.24	23.33	33.91
2006-07	33.91	-	17.63	92.99	144.53	41.75	102.78
<b>Total</b>		<b>61.30</b>	<b>34.14</b>	<b>209.42</b>		<b>218.71</b>	

\* Includes internal resource generation of Rs.one crore, Rs.78 lakh and Rs.3.42 crore for the years 2004-05, 2005-06 and 2006-07 respectively.

The persistent savings were due to delay in commencement and completion of works during 2002-04, receipt of construction grants at the fag end of the financial year 2005-07 and non-disbursement of maintenance grant to the schools in full during 2004-07.

#### 3.8.2.1 Drawal of excess loan

The Society drew excess loan of Rs.35.54 crore without considering the grants regularly released by the Government

The Society raised a loan of Rs.76.30 crore from HUDCO for construction of 41 residential schools during the period 2000-2003. An amount of Rs.47.40 crore was outstanding on this account at the end of March 2007.

The loan requirement was assessed at the rate of Rs.two crore per school (Rs.82 crore) reduced by the amount (Rs.5.70 crore) provided in the budget for the year 2000-01. The Society constructed 44 residential school buildings (2000-06) as against the projected 41 buildings at a total cost of Rs.79.68 crore. The Society also received grants of Rs.40.76 crore<sup>69</sup> from Central and State Governments exclusively for construction of these residential school buildings and Rs.51.30 crore out of the loan raised from HUDCO during the period 2000-03. The loan requirement was not assessed by the Society keeping in view the grants being received regularly from Government. This resulted not only in overdrawal of loan by Rs.35.54 crore and consequential average savings of Rs.17.56 crore at the end of each year during the period 2000-03. The reasons as to why the Government released Rs.40.76 crore for construction of these school buildings when they had already stood guarantee to the HUDCO loan and were releasing funds separately every year to the Society for repayment of this loan along with interest were not forthcoming. The continued release of funds by Government

<sup>69</sup> Rs.19.77 crore during 2000-01, Rs.9.72 crore during 2001-02 and Rs.11.27 crore during 2002-03



resulted in accumulated cash balance of Rs.102.78 crore at the end of March 2007 and the Society instead of exploring the possibilities of discharging the outstanding loan of Rs.47.40 crore deposited the surplus funds in the fixed deposits of various banks thereby causing recurring liability of interest payments to the Government. The drawal of excess loan by the Society and their failure to clear the outstanding loan out of the surplus funds released by the Government resulted in an avoidable interest liability of Rs.10.93 crore<sup>70</sup>. Government stated (October 2007) that the surplus funds could not be diverted for clearance of loan as they were earmarked for specific purposes and that Government was providing separate budget for repayment of HUDCO loan every year. The reply is not tenable as the Government released excess funds in addition to the HUDCO loans received which led to surplus funds with the Society.

### 3.8.2.2 Non-payment of guarantee commission to Government

The Society was required to pay guarantee commission at the rate of one *per cent* of the outstanding loan amount at the end of each year. Accordingly, a guarantee commission of Rs.76.73 lakh due as at the end of March 2004 was paid (June 2004) to Government. But no further payment was made by the Society although Rs.1.62 crore was due on this account for the period from April 2004 to March 2007 and funds were surplus with the Society. Government too failed to recover this while releasing funds to the Society.

### 3.8.3 Construction activities

Since its inception, the Society took up 140 works of construction of residential school buildings and hostels and completed 67 works as detailed below:

Year	Number of building works taken up	Estimate cost (Rs.in crore)	Number of works completed	Expenditure incurred (Rs.in crore)	Works in progress
2000-01	44	86.56	43	79.68	01
2002-03	19	32.13	19	28.86	-
2005-06	11	19.89	05	16.05	06
2006-07	66	198.89	-	1.22	66
<b>Total</b>	<b>140</b>	<b>337.47</b>	<b>67</b>	<b>125.81</b>	<b>73</b>

The Society did not have a technical wing to design and execute the building works. Even the ministerial staff and two technical assistants working in the Society had been hired from a manpower agency (labour contract) from time to time and all works relating to preparation of plans and estimates, draft tender papers, supervision of execution of works, scrutiny of running account bills, revision of estimates, evaluation of quality of works, scrutiny of demands of contractors and rendering technical opinion thereon were all entrusted to technical consultants appointed on contract basis in respect of each work. Consequently, the Society not only incurred huge expenditure on

<sup>70</sup> Calculated on Rs.35.54 crore at interest rates prevailing from time to time during the period 2000-07 and excluding Rs.28.25 lakh being interest earned on the loan amount kept in fixed deposit up to December 2001

deployment of manpower and technical consultancy but also could not effectively manage the construction activities resulting in cost and time overrun as detailed below:

### 3.8.3.1 *Avoidable extra expenditure to Project Management Consultants*

The Society paid consultancy charge of Rs.45 lakh in excess due to direct entrustment of the work to the consultants

The Society paid (April 2002-September 2006) Rs.1.73 crore as Project Management Consultancy charges to a consultant company for construction of 44 residential school buildings at an estimated cost of Rs.81.40 crore (revised to Rs.86.56 crore). Records revealed that the Society appointed the consultants at two *per cent* of the project cost as consultancy charges without inviting tenders and without ascertaining the prevailing competitive rates and payments were made at two *per cent* of the enhanced project cost (Rs.86.56 crore). When the Society invited (November 2001) tenders for another project, the first lowest tender received was at 1.48 *per cent* of the project cost. Thus, the failure of the Society to invite tenders in the first instance resulted in an avoidable extra expenditure of Rs.45 lakh<sup>71</sup>. The Society replied that the consultant appointed was a reputed company and that the provisions of Karnataka Transparency in Public Procurement Act were not in force at the time of entrustment. The reply is not tenable as the Society was bound to follow the provisions of the Karnataka Financial Code and the Public Works Accounts and Departmental Codes which were in force at the time of entrustment of the work.

### 3.8.3.2 *Huge unspent funds due to non-commencement of works*

Out of 66 works taken up by the Society for 2006-07, only 32 works could be actually commenced due to lack of infrastructure and technical expertise leading to cost and time overrun

Sixty six works estimated to cost Rs.201.82 crore were taken up by the Society for execution during 2006-07. Out of these works, only 32 works estimated to cost Rs.93.04 crore could be commenced before the expiry of the financial year 2006-07 due to time required for preparation of plans, estimates, draft tender papers and finalisation of tenders through the consultants. Out of the total consultancy charges of Rs.6.05 crore payable to the consultants in respect of 66 works, the Society had already paid Rs.1.22 crore (March 2007). Due to delay in taking up the remaining works, the cost and time overrun were inevitable necessitating revision of estimates and consequential payment of enhanced consultancy charges too.

### 3.8.3.3 *Non-completion of building works transferred to the Society*

13 buildings for MDRS could not be completed by the Society even after 10 years of their commencement and despite release of funds by the Government

Construction of 13 Morarji Desai Residential School (MDRS) buildings at different locations in the State which was taken up (1996-97 to 2002-03) by the Education Department at an estimated cost of Rs.12.90 crore was in progress through the Karnataka Land Army Corporation (KLAC) when these were transferred (2003-04) to the Society for completion and maintenance. By that time, Rs.8.81 crore had been paid by the Education Department to KLAC. The Society did not take any expeditious action to get the buildings completed by securing early release of funds although the estimated cost of the works was revised to Rs.14.66 crore. The Government released (March 2006)

<sup>71</sup> Difference of consultancy charges calculated at two *per cent* and 1.48 *per cent* of the project cost.

Rs.14.95 crore for completion of these buildings out of which the Society released Rs.1.72 crore (April 2006) and Rs.89 lakh (April 2007) to the KLAC. However, the works were yet to be completed by the KLAC and the cost of balance works as at the end of April 2007 was Rs.3.23 crore.

Records revealed that the Society while submitting proposals for securing Rs.14.95 crore from Government had assessed (August 2005) the cost of balance works at Rs.5.79 crore and incorrectly included 10 new works estimated to cost Rs.9.72 crore. Government, without scrutinising the proposals and restricting the grants to the actual cost of completion of the balance works, released Rs.14.95 crore. The Society diverted Rs.1.23 crore out of these funds for maintenance of residential schools and released only Rs.2.61 crore to KLAC without taking prompt action to get the works completed early despite availability of funds. The Society, again revised (February 2007) their proposals to construct five new buildings (instead of 10 new works proposed in August 2005 for securing Rs.14.95 crore) and the total funds requisitioned were Rs.18.59 crore which included Rs.5.52 crore for completion of the 13 incomplete MDRS. The proposals of the Society for construction of new buildings were therefore, not prioritised based on their actual and immediate requirement. The cost of balance works were also overstated by Rs.1.67 crore as the KLAC had demanded (February 2007) only Rs.4.12 crore to complete the works at the revised cost.

Government contended (October 2007) that the Society was not responsible for the delay as the buildings were transferred to them only during 2006. The reply is not tenable as the Society took over the maintenance of these schools in 2003-04 itself, sent proposals for additional funds for completion during August 2005 and the buildings were not completed even at the end of September 2007 although funds had been released by Government during March 2006. The Society thus, did not get the works completed even after a lapse of four years of their taking over and despite availability of funds to the extent of Rs.11.08 crore. The expenditure of Rs.11.42 crore incurred on these works remained unfruitful.

#### **3.8.4 Academic Activities**

Records revealed that the Society did not have the nominated members in its Governing Council since its inception to ensure better maintenance of the residential schools and to improve their academic excellence. The Governing Council met most of the time during the period 2000-07 to decide upon matters in relation to their construction activities only. The details regarding the curricular and other educational programmes prepared, introduced and supervised by the Society in pursuance of the objectives of the Society were neither forthcoming from the records nor the Executive Director furnished any replies to specific audit observations made in this regard.

#### **3.8.5 Conclusion**

The objective of the State Government to provide better administration of residential schools could not be realised as the Society was mainly engaged in

construction of residential schools and hostel buildings and releasing maintenance grants to schools. Release of funds by the Government without ensuring availability of proper infrastructure and technical expertise with the Society and their ability to fully utilise the funds resulted in accumulation of funds with the Society. The financial mis-management of the Society resulted in avoidable payment of recurring interest on a loan despite availability of surplus funds to liquidate the loan.

### **3.8.6 Recommendations**

- Government should entrust the Society with the primary responsibility of administering the residential schools in pursuit of academic excellence.
- The HUDCO loan liability should be cleared to reduce the interest burden on the Society/Government.
- Release of funds to the Society should be need based.

Reply of the Government received in October 2007 has been incorporated at appropriate places.

