CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

SECTION 'A' - REVIEWS

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT AND URBAN DEVELOPMENT DEPARTMENT

6.1 Drinking Water Supply

Highlights

6.1A Rural Water Supply Programme

There are 56682 rural habitations in the State having 3.11 crore population. Though Rs.1593 crore were spent on the Rajiv Gandhi National Drinking Water Mission (Programme), 2386 rural habitations (4 per cent) in the State were not yet covered and 22980 habitations (41 per cent) were only partially covered. In 35 blocks, 50 per cent of the total habitations did not have daily water availability of 40 litres per capita and 62 per cent of them did not get regular water supply throughout the year. Water was not tested for quality in any habitation until 2000-01 when it was found that in 37 per cent of the habitations, quality of water was affected. Incidence of water borne diseases was increasing. Operation and maintenance of the assets (Piped Water Supply Schemes, Mini-Water Supply Schemes and Borewells fitted with handpumps) was neglected due to lack of sufficient staff to operate/use the assets. There was no community participation in the Programme as Water and Sanitation Committees were not created, assets were not maintained by community and cost of maintenance was not recovered. The Programme was poorly monitored.

Zilla Panchayats failed to spend the funds released in full due to delayed release of funds.

(Paragraph 6.1A.4)

State Government stood to lose Central assistance of Rs.67.21 crore due to shortfall in expenditure on Rural Water Supply Schemes under the State Sector and excess carry over of unutilised Accelerated Rural Water Supply Programme (ARWSP) funds.

(Paragraph 6.1A.4.1)

State Government furnished utilisation certificates (UCs) to GOI for the entire expenditure during 1997-2000 though they did not receive UCs for Rs.199.31 crore released to the ZPs during this period.

(Paragraph 6.1A.4.2 (i)

Financial progress reports were inflated by Rs.4.07 crore by Zilla Panchayat Engineering Divisions (ZPED) as the advances and diverted funds were shown as expenditure under the Programme.

(Paragraph 6.1A.4.2(ii) and (iii)

Expenditure of Rs.30.54 crore representing cost overrun in schemes and excess expenditure on operation and maintenance of schemes were irregularly met out of ARWSP funds.

(Paragraph 6.1A.4.3(a) and (b)

As against 3410 "Not Covered (NC)" and 18960 "Partially Covered (PC)" habitations at the beginning of 1997-98, the number of NC and PC habitations was 2386 and 22980 respectively as of March 2001.

(Paragraph 6.1A.5.3)

Physical achievements were exaggerated in reports which were not reliable. Engineer-in-Chief, Rural Development Engineering Department reported different physical achievements to different agencies in respect of the achievements during 1997-2001.

(Paragraph 6.1A.6.1)

Nine Zilla Panchayat Engineering Divisions irregularly executed 267 Piped Water Supply Schemes and 314 Mini Water Supply Schemes at a cost of Rs.13.01 crore during 1997-2001 in habitations which were already fully covered.

(Paragraph 6.1A.6.2)

There was time overrun of 1 to 9 years and cost overrun of Rs.19.04 crore due to laxity in implementation and monitoring of the Programme. In 12 ZPEDs, 271 schemes on which Rs.9.70 crore had been spent remained non-functional (March 2001) as they were not energised though civil works were completed years ago in many cases.

(Paragraph 6.1A.7.2)

Nineteen water quality testing laboratories out of twenty six remained non-functional for want of staff, buildings etc. As a result, quality problems were not effectively handled by the State Government.

(Paragraph 6.1A.9.1 (a)

Although test reports of the samples indicated that water from sources in 2245 habitations was unfit for human consumption, rectification steps were taken only for 66 (3 per cent) habitations during 1997-2001.

(Paragraph 6.1A.9.1 (b)

In 20460 habitations (36 per cent of total habitations) in the State, water quality was affected by excess fluoride (5728), brackishness (4309) excess nitrate (4064) and excess iron (6359). In Gulbarga and Tumkur Districts, 1.29 lakh persons were affected due to continuous use of water contaminated by excess fluoride.

(Paragraph 6.1A.9.1 (d)

Monitoring of the implementation of the Programme was deficient. High Level Committee and Empowered Committee were constituted in January 2000, 4 years after the Government of India directed about it. In 3 out of 7 districts, District Level Committees were not constituted. Monitoring of the Programme at the district level was routine and concentrated only on achievement of physical and financial targets.

(Paragraph 6.1A.14)

6.1B Accelerated Urban Water Supply Programme

Accelerated Urban Water Supply Programme (AUWSP) failed to achieve the end objective of providing safe and adequate drinking water facility to the entire population of the towns with a population of less than 20000 by the end of VIII Plan as only 8 out of 134 such towns in the State had been covered so far. Provision of funds for AUWSP was too meagre to meet the target. State Government did not contribute financially to AUWSP and this delayed completion of schemes. Lack of planning resulted in preference of non-priority towns, coverage of towns with high per capita supply at the cost of others with low per capita supply and lack of participation of the communities in the implementation, operation and maintenance of the schemes. Monitoring of the implementation of the scheme was weak.

State Government did not release its matching share of Rs.17.38 crore for AUWSP and only used the Central assistance on AUWSP. This failure badly delayed completion of the schemes taken up under AUWSP.

(Paragraph 6.1B.5)

State Government reported inflated financial achievement to Government of India in the utilisation certificates during 1993-2000. Though its matching share was not released, State Government reported to Government of India that matching share of Rs.14.57 crore had been released.

(Paragraph 6.1B.5.1(c)

Funds received from Government of India were released to the implementing agencies after a delay of 5 to 34 months. This affected the planning and execution and only 8 out of 25 schemes taken up under AUWSP had been completed so far.

(Paragraph 6.1B.5.2)

Planning of the implementation of AUWSP was deficient as (i) priority towns were not identified for immediate coverage (ii) community

participation in the schemes was not ensured and (iii) towns with high per capita supply of drinking water were taken up at the cost of towns with low per capita supply. No socioeconomic survey was conducted before selection of towns. Provision of funds for AUWSP was too meagre to meet the target.

(Paragraph 6.1B.6)

AUWSP funds of Rs.3.13 crore were fruitlessly spent on water supply schemes to Saligrama town where there was no demand for drinking water after completion of the scheme and to Arakalgud town where the distribution system was not designed to supply the intended higher per capita supply.

(Paragraph 6.1B.8(i)& (ii)

6.1A Rural Water Supply Programme

6.1A.1 Introduction

To supplement the efforts of State Government in providing safe drinking water to rural population under Minimum Needs Programme (MNP), Government of India launched National Drinking Water Mission (NDWM) in February 1986. NDWM was renamed as 'Rajiv Gandhi National Drinking Water Mission' (Programme) in 1991. The Programme which was revamped from 1 April 1999 covered in its ambit Centrally sponsored programmes viz., Accelerated Rural Water Supply Programme (ARWSP), Sectors Reforms Programme[⊗] and Sub Mission Projects[*]. The primary objectives/priorities of the Programme are:

(a) Objectives

(i) to ensure coverage of all rural habitations especially to reach the unreached with access to 'safe drinking water',

(ii) to ensure sustainability of the systems and sources, and

(iii) to preserve quality of water by monitoring and surveillance through a catchment area approach.

[⊗] aims at institutionalising community participation in capital cost operation and maintenance and water quality monitoring and surveillance in identified districts.

[*] Sub-Mission Projects were taken up for providing safe drinking water to villages facing water quality problems and ensuring sustainability of water sources.

(b) Priorities

(i) to cover no safe source habitations. Among them priority was to be given to those inhabited exclusively by Scheduled Caste (SC)/Scheduled Tribe (ST) or having larger SC/ST population,

(ii) coverage of quality affected habitations with acute toxity first,

(iii) upgradation of source level of safe source habitations which get less than 40 litres per capita per day water,

(iv) coverage of schools and anganwadis where safe drinking water source could not be provided under the outlays allocated by Tenth Finance Commission.

Besides, multilateral and bilateral assisted projects were also taken up for providing water supply to rural population.

6.1A.2 Organisational Set up

The Ministry of Rural Development, Government of India piloted the Programme by planning, financing, providing guidelines and review of the implementation of the Programme. In the State, Rural Development and Panchayat Raj (RDPR) Department headed by Secretary and Rural Development Engineering Department (RDED) headed by Engineer-in-Chief (EIC) were responsible for implementation of the Programme. In the districts, Zilla Panchayats (ZPs) were implementing the Programme through ZP Engineering Divisions (ZPEDs). Operation and maintenance of Rural Water Supply Schemes was entrusted to Taluk and Gram Panchayats in December 1999. The State was to set up High Level Committee headed by Chief Minister and Empowered Committee headed by Chief Secretary and District Level Committee for planning, directing and monitoring the implementation of the Programme.

6.1A.3 Audit Coverage

A review on “Rajiv Gandhi National Drinking Water Mission” was included in the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 1997.

Implementation of Rural Water Supply (RWS) Programme under ARWSP/MNP during 1997-2001 and multilateral and bilateral assisted projects during 1993-2001 were further reviewed between January and June

2001 in 7[ψ] out of 27 districts covering 12[♣] out of 38 ZPEDs and 5[⊗] districts in respect of bilateral and multilateral assisted projects, covering a population of 1.55 crore (35 per cent of total population) and an expenditure of Rs.377.84 crore (50 per cent of total expenditure). The findings of the review are discussed below:

6.1A.4 Financial outlay and expenditure

Government of India provided financial assistance to the State Governments for ARWSP subject to matching provision/expenditure under the State Sector MNP. Additional Central assistance was given to the States for implementation of Sector Reforms Programme. Expenditure for Sub-Missions was shared by the Centre and the State on 75[*]:25 basis.

In Karnataka, the Central and State Governments spent Rs.830.11 crore on this Programme during 1985-97. According to EIC, RDED, further expenditure of Rs.762.95 crore was incurred during 1997-2001 as shown below:

(Rupees in crore)

Year	ARWSP				MNP		
	Central Government			Unutilised funds carried forward	State Government		
	Allocation	Release	Expenditure		Provision	Release	Expenditure
1997-98	73.25	99.38	92.22	12.04[⌘]	85.05	101.30	99.44
1998-99	101.35	105.49	86.58	30.95	85.09	100.70	93.41
1999-2000	93.59	114.09	108.68	36.36	75.49	114.75	80.59
2000-2001	103.50	89.83	102.17	24.02	102.86	129.96	99.86
Total	371.69	408.79	389.65		348.49	446.71	373.30

The provision under MNP during 1998-2001 did not match with the ARWSP allocation. However, the releases under MNP exceeded the releases under ARWSP during 1997-98 and 1999-2001. Yet, there was shortfall in matching expenditure under MNP during 1999-2001 as ZPs failed to spend the funds released in full due to delayed release of funds as discussed in Para 6.1A.4.4 and 6.1A.4.5 below:

ψ Belgaum, Bellary, Bijapur, Gulbarga, Kolar, Mandya and Tumkur

♣ Belgaum, Bijapur, Chikkodi, Bellary, Hoovinahadagali, Gulbarga, Yadgir, Kolar, Chickballapur, Mandya, Tumkur and Madhugiri

⊗ Gulbarga, Bellary, Belgaum, Mandya (World Bank assisted projects), Bijapur (Danida and Netherlands assisted projects)

∗ 75 per cent share of GOI for sub-mission projects was to be met out of 20 per cent of ARWSP funds.

⌘ Unspent balance as on 1 April 1997 was Rs.4.88 crore. ZPs had these unspent balances in the Zilla Panchayat Fund kept at the treasury.

6.1A.4.1 Loss of Central assistance

State Government stood to lose Central assistance of Rs.67.21 crore due to shortfall in expenditure under MNP and excess carry over of unutilised Programme funds

ARWSP guidelines prescribed that the shortfall in actual expenditure under MNP vis-à-vis the expenditure under ARWSP during a financial year was to be deducted from the ARWSP funds of the following year. Besides, the quantum of unutilised ARWSP funds of a financial year should not exceed 20 per cent of the total allocation (15 per cent from 2000-01 onwards) and any amount in excess of this limit was to be deducted from ARWSP funds for the following financial year.

As a result of excess carry over of unutilised ARWSP funds during 1998-99 to 2000-01 (see Table in Para 6.1A.4), State was to lose Rs.36.81 crore (Rs.10.68 crore, Rs.17.64 crore and Rs.8.49 crore during 1999-2000, 2000-01 and 2001-2002 respectively). Against this, Government of India deducted Rs.0.76 crore and Rs.20.65 crore from Central assistance to the State for 1999-2000 and 2000-01 respectively.

Similarly as a result of shortfall in expenditure under MNP as compared to the expenditure under ARWSP during 1999-2000 and 2000-2001, State Government was liable to lose Central assistance of Rs.28.09 crore and Rs.2.31 crore during 2000-2001 and 2001-02 respectively. However, Government of India did not make any deduction in the Central assistance released during 2000-01 towards shortfall in expenditure under MNP.

6.1A.4.2 Incorrect reporting on utilisation of Central funds

The correctness of financial achievements during 1997-2001 reported to Government of India (GOI) by the State Government was not certain as:

State Government did not ensure the correctness of figures of expenditure

(i) State Government furnished utilisation certificates (UCs) to GOI for the entire expenditure during 1997-2000 without receiving UCs for Rs.199.31 crore in support of releases to the ZPs. Furnishing of UCs without verification of actual utilisation of funds was improper.

(ii) Unadjusted advances of Rs.3.63 crore given to various executing agencies by 7 ZPEDs were treated as final expenditure in the accounts of ZPs.

(iii) 2 ZPEDs diverted Rs.0.44 crore of Programme funds on activities under India Population Project, compound walls, roads, purchase of tents etc., which were not connected with the Programme.

(iv) ZPED, Bellary furnished (January 2001) UC to ZP, Bellary for Rs.35 lakh for the Sub Mission Project for Tallur and Ullur villages although the expenditure even as of March 2001 was only Rs.10.77 lakh.

Excess expenditure of Rs.11.08 crore on schemes was irregularly debited to ARWSP funds

6.1A.4.3 ARWSP funds misutilised on excess expenditure on works

(a) Amount released under ARWSP was not to be utilised for any excess expenditure over the approved cost of the scheme. Although State Government while furnishing UCs to Government of India certified that escalation in cost of the schemes was not met out of ARWSP funds, 12 ZPEDs met excess expenditure of Rs.11.08 crore on 951works from ARWSP funds. This excess expenditure would not, thus, qualify for Central assistance.

(b) Similarly, 10 per cent (15 per cent from 1999-2000) of the ARWSP funds released to the State Government was to be utilised for Operation and Maintenance (O&M) of the assets created subject to a ceiling of matching grant/ expenditure provided by the State Government for O&M under MNP. While the expenditure on O&M of water supply schemes under ARWSP was 16 and 17 per cent of ARWSP funds released during 1997-98 and 1998-99 respectively, there was a shortfall of Rs.6.11 crore in the matching grant for O&M under MNP during 1999-2000. Thus, expenditure of Rs.19.46 crore debited to ARWSP funds towards O&M during these years did not qualify for Central assistance as shown below:

(Rupees in crore)

Year	ARWSP releases	Limit of O&M expenditure	Actual expenditure on O&M under ARWSP	Expenditure on O&M under MNP	Excess Expenditure debited (4) –(3)
(1)	(2)	(3)	(4)	(5)	(6)
1997-98	99.38	9.94	16.35	12.33	6.41
1998-99	105.49	10.55	17.49	12.42	6.94
1999-2000	114.09	17.11	17.02	10.91	6.11
Total					19.46

As against Rs.19.46 crore of excess expenditure, GOI deducted Rs.0.17 crore and Rs.1.20 crore out of the ARWSP funds for 1998-99 and 1999-2000 respectively.

6.1A.4.4 Delay in release of funds

Delay in release of funds to the implementing agencies up to two years

State Government delayed release of Central assistance to ZPs (ranging from Rs.0.20 crore to Rs.45 crore) on 32 occasions during 1997-98 to 2000-01 by 29 to 151 days. Similarly, after receipt of funds from State Government, test-checked ZPs delayed release of funds to ZPEDs by 4 to 720 days on 267 occasions. ZP, Bellary and Tumkur could not draw ARWSP/MNP funds of Rs.0.20 crore each during 1999-2000 due to belated receipt of release orders of State Government.

6.1A.4.5 Rush of expenditure

There was rush of expenditure upto 77 per cent at the fag end of the year

Analysis of flow of ARWSP funds from State to ZPs indicated that during 1998-99 and 1999-2000, 62 and 65 per cent of the funds were released during the last quarter as shown below:

(Rupees in crore)

Year	Annual release	Released during last quarter	Released during March
1997-98	99.38	33.34 (34)	28.78 (29)
1998-99	105.49	64.92 (62)	29.11 (28)
1999-2000	114.09	74.09 (65)	39.53 (35)
2000-01	89.83	35.05 (39)	8.05 (9)

(Figures in bracket indicate the percentage to the total releases)

Delayed release of funds resulted in rush of expenditure at the district level as 34 to 77 per cent and 15 to 46 per cent of the total expenditure took place in the last quarter and March of the financial year during 1997-2001 in the test-checked districts.

6.1A.5 Planning

Out of 56682 habitations in the State, 34312 (60 per cent) were reportedly fully covered by March 1997. While 3410 habitations had no source of water within 1.6 km of area which were termed 'not covered (NC)' habitations, 18960 habitations were stated to be 'partially covered (PC)' which did not get the minimum prescribed 40 litres of water per capita per day (LPCD).

6.1A.5.1 Ineffective Annual Action Plans

ZPs neither had shelf of projects nor prepared Annual Action Plans in time

For prioritising the activities under RWS Programmes, ZPs were to prepare shelf of projects which should form the basis for priority of the water supply schemes and preparation of Annual Action Plans (AAPs). Besides, ZPs were to prepare the AAPs six months before the commencement of the financial year. However, ZPs neither prepared the shelf of projects nor framed the AAPs before the commencement of the financial year. During 1997-2000, 4 ZPs submitted AAPs to State Government 3 to 8 months after commencement of financial year and State Government approved them 5 to 10 months after the commencement of the financial year. Thus, the AAPs could not provide direction to the Programme and serve as a monitoring tool.

6.1A.5.2 Sustainability aspect did not get priority

Lack of planning in selection of sources

Although ARWSP emphasised measures such as conjunctive use of surface and ground water resources, construction of water harvesting structures like check dams/percolation tanks, direct injection methods utilising abandoned structures etc., for regulating indiscriminate withdrawal of ground water, these measures were not included in the AAPS and therefore, not taken up under the Programme. According to Strategy Paper (2000-05) prepared by RDPR department, 95 per cent of the RWS schemes were dependent on ground water sources. Thus, sustainability aspect did not get priority and over-exploitation of ground water continued. Tie-up with other line departments for taking up RWS schemes and water conservation measures were not arranged. Government did not also take up any sub-mission project for addressing the sustainability issues though five per cent of ARWSP funds was to be spent for the purpose.

6.1A.5.3 Re-emergence of 'No-source' village

2386 habitations were still without any source of drinking water and 22980 habitations were only partially covered

GOI directed (March 1997) the State Governments to cover all NC habitations by 1998-99 and PC habitations by 2000. Against this target, State Government reportedly covered all NC habitations by November 2000. However, even as of March 2001, only 11131 (59 per cent) out of 18960 PC habitations were covered. A survey report prepared (December 2000) by Agricultural Finance Corporation (AFC), Bangalore showed that there were 2386 NC and 22980 PC habitations in the State. Thus, though 83 per cent of the habitations were reportedly covered as of March 2001, 4 per cent of the total habitations still remained uncovered and another 41 per cent were partially covered. The reemergence of NC habitations affected the impact of the Programme. The Programme failed to provide the entire rural population of the State with adequate safe drinking water though funds were not a constraint and Rs.1593 crore were spent since 1985.

6.1A.6 Physical achievements

6.1A.6.1 Unreliable reporting

State Government reported inflated coverage of NC and PC habitations to Government of India

There are 56682 rural habitations in the State having 3.11 crore population. As of November 2000, 3.35 crore rural population had been covered under RWS Programmes. According to EIC, there were no NC habitations in the State as of November 2000.

Year-wise details of coverage of NC and PC habitations as reported to Government of India by State Government during 1997-2001 were as under:

Year	Number of Habitations	
	NC	PC
1997-98	837	3308
1998-99	420	3693
1999-2000	780	2132
2000-01	55	1998
Total	2092	11131

Thus, as against 3410 NC habitations at the beginning of 1997-98 (Para 6.1A.5), 2092 (61 per cent) were covered by March 2001, leaving a balance of 1318 NC habitations. The State Government's claim of having covered all the NC habitations in the State by November 2000 was evidently not true. The survey report (December 2000) also revealed the existence of 2386 NC habitations. The Government was, thus, over-reporting its achievements.

Further, EIC did not have reliable information on physical achievements as he reported different achievements to different agencies. The details of coverage of NC and PC habitations as included in the Annual Reports of RDPR department and in another report compiled by EIC in December 2000 for submission to State Government and those furnished to Audit were grossly at variance with the physical achievements reported to Government of India as shown below:

Year	Coverage furnished in the report compiled in December 2000≅		Coverage furnished in Annual Reports		Coverage furnished to Audit	
	NC	PC	NC	PC	NC	PC
1997-98	2267(4)	1700 (3)	2145	1926	633	420
1998-99	567 (1)	1700 (3)	420	NF	1512	1492
1999-2000	567(1)	1134 (2)	575	NF	420	1822
2000-2001	--	1134 (2)	270	NF	55	5451

NF-Not furnished

Besides, the physical achievements in test-checked districts during 1997-2001 also differed widely[Ψ] from the achievements reported in the Annual Reports of RDPR. Thus, reliability of the reports was doubtful**.**

6.1A.6.2 Failure to prioritise activities

Rs.13.01 crore were spent in non-priority areas

According to norms fixed (1988-89) by the State Government, villages/habitations with population exceeding 500 and below 1000 were to be provided with a Mini Water Supply (MWS) and those with population exceeding 1000 were to be provided with a Piped Water Supply (PWS) scheme. However, as of March 2001, 755 PWS and 1794 MWS were commissioned in villages where the population was less than the norms (ranging from 150 to 978 for PWS and 80 to 470 for MWS). The expenditure details of all the schemes were not available. Of these, 9 ZPEDs took up 267 PWS and 314 MWS at a cost of Rs.13.01 crore during 1997-98 to 2000-01 in the habitations which were already fully covered. The ZPs irregularly included these schemes in AAPs in disregard of the norms. Thus, Rs.13.01 crore were spent in non-priority areas.

6.1A.6.3 Coverage of rural schools

Coverage of rural schools did not get priority

All rural schools were to be provided with drinking water facility by 2002. Though required, State Government did not fix target for coverage of rural schools under the Programme. The ZPs also did not provide for coverage of rural schools in the AAPs. As a result, 11782 (85 per cent) out of 13863 rural schools in test-checked districts did not have drinking water facility,

≅ Achievements were reported in terms of percentages as given in the brackets. The actual coverage was calculated at these percentages on total number of habitations

Ψ Variation was 22 to 53 per cent under Piped Water Supply, 20 to 37 per cent under Mini Water Supply and 4 to 35 per cent under Borewells with handpumps

6.1A.6.4 Sector Reforms Programme

Laxity in implementation of Sector Reforms Programmes

The Sector Reforms Programme (SRP) inter alia, aimed at ushering in reforms to institutionalise community participation in the RWS sector by gradually replacing the existing Programme with a people oriented, decentralised, demand driven and community based RWS programme. Government of India selected (February 2000) three pilot districts (Bellary, Dakshina Kannada and Mysore) for implementation of SRP and released (March 2000) Rs.33.66 crore to the State. Funds remained unspent with these ZPs as of June 2001. EIC, RDED attributed (May 2001) non-utilisation of funds to the scheme being in the initial stages of implementation. Delay in implementing SRP besides delaying the process of institutionalising community participation was fraught with the risk of Government of India diverting the SRP funds to better performing States.

6.1A.7 Execution of works

6.1A.7.1 Unapproved works/expenditure

Rs.1.80 crore were spent on unapproved works

Though no work was to be commenced unless a detailed estimate of work was got technically sanctioned by competent authority (EIC/SE), Executive Engineers of 4 ZPEDs (Gulbarga, Kolar, Tumkur and Chickballapur) executed 90 schemes during 1997-2001 and spent Rs.1.80 crore on these schemes without sanction to the estimates.

6.1A.7.2 Time and cost overrun

Huge time and cost overruns

State Government fixed a time frame of two years for completion of a water supply scheme. Laxity in implementation and monitoring of the activities under the Programme by EIC/High Level Committee/Empowered Committee leading to heavy cost and time overrun, non-utilisation of assets created and abandonment of 7 schemes were noticed in the test-checked districts as discussed below:

(a) Analysis of the status of execution of schemes in 12 ZPEDs revealed that there was cost overrun of Rs.19.04 crore (ranging from 2 to 555 per cent of the approved cost) in 1622 schemes completed during 1997-98 to 2000-01 and time overrun between 1 and 9 years in respect of 376[φ] schemes, beyond the prescribed time cycle in these schemes. Belgaum and Bellary districts accounted for 30 and 24 per cent of the 1622 schemes contributing to cost overrun of Rs.9.69 crore (51 per cent).

136 schemes remained incomplete for 1 to 9 years

(b) Further, 136 schemes taken up by 9 ZPEDs during 1989-1998 were lying incomplete as of March 2001 after spending Rs.6.19 crore. Even before completion, there was cost overrun of Rs.0.20 crore (ranging from 38 to 50 per cent) in 10 schemes. In Gulbarga and Kolar districts alone, 63 and 45 out of

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[φ] Information was available only in respect of 5 ZPEDs

136 schemes with expenditure of Rs.2.87 crore and Rs.1.35 crore respectively remained incomplete.

2967 schemes were not commissioned due to delay in arranging power supply

(c) Another 2967 schemes where the civil works had been completed had not been commissioned due to delay in obtaining power supply. EIC did not have information on the extent of delay in arranging power supply for these schemes. In 12 ZPEDs test-checked, it was seen that 271 schemes on which Rs.9.70 crore had been spent remained non-functional (March 2001) due to non-energisation even after 4 months to 5 years of completion of civil works. Mandya district alone accounted for 40 per cent of 271 schemes. Six PWS in Mandya district on which Rs.0.48 crore was spent though commissioned during 1995-2001, were not put to use due to low voltage.

6.1A.7.3 Desertion of schemes

Wasteful expenditure on schemes abandoned midway

During 1997-98 to 2000-01, 3 ZPEDs (Belgaum, Chikkodi and Kolar) abandoned 7 schemes midway after spending Rs.0.39 crore thereon due to failure of sources, litigation etc.

6.1A.8. Lack of maintenance

Inventory of assets not maintained

Each Village Panchayat, block and district was to maintain Inventory and Assets registers for effective control of O&M system for various RWS schemes. In the test-checked districts, none of the ZPEDs/ZPs prepared inventory of assets created under the Programme. The system did not seem to be prevalent at all across the State.

According to information furnished by EIC, RDED, 752 PWS, 1268 MWS and 35419 handpumps (6, 7 and 21 per cent of total numbers respectively) had become defunct due to dwindling of sources, failure of pumping machinery and distribution system etc.

Joint inspection by Audit and engineers of ZPEDs of the assets created in 26 blocks also revealed inadequate maintenance of 101 schemes in 75 villages where leakage from pipelines/ overhead tanks, handpumps and motors under repairs etc., were noticed.

6.1A.9 Quality of water

6.1A.9.1 Water quality testing laboratories

Performance of water testing laboratories was very poor

(a) Monitoring of quality of water supplied in rural areas was crucial for providing safe drinking water free from chemical and biological contamination. Out of 26 district level water quality testing laboratories (laboratories) sanctioned between April 1990 and April 2000 under State, Central and externally aided project funds, only 7 were functional. Remaining 11 were not functioning due to lack of staff while the remaining 8 had no buildings. As a result, the quality and supply of safe drinking water could not be ensured.

(b) State Government did not prescribe the frequency of testing water samples from the sources. However, the Apex Council prescribed (February 2000) that water samples should be tested twice a year (pre-monsoon and post-monsoon) to assess the quality of water properly. In 3 (Bellary, Bijapur and Gulbarga) out of 7 functional laboratories, the number of samples tested during 1997-2000 was only 8912 (55 per cent) out of 15939 sources. During 2000-01, as against 31878 samples to be tested as per the directions of the Apex Council, only 793 (2 per cent) samples were tested. Although test reports of these samples indicated that water from sources in 2245 habitations was unfit for human consumption, sub-mission projects were sanctioned for only 66 (3 per cent) habitations during 1997-2001. At the State level, implementation of sub-Mission projects was grossly deficient as 47 projects were sanctioned during 1997-2001 at a cost of Rs.151.15 crore to address water quality problems only in 647 (3 per cent) out of 20460 habitations. Of these, only 5 villages had been covered so far while Rs.9.13 crore were spent by 10 ZPs out of Rs.20.70 crore released to them.

(c) State Government approved (August 2000) engagement of private agencies for testing of water sources in all the districts at the rate of Rs.460 per sample. As of December 2000, ZPs/ZPEDs paid Rs.3.83 crore to the private agencies engaged for testing the 83350 water samples. Of these, 3 test-checked ZPs where the laboratories were functional, private agents were unnecessarily engaged for testing 12426 water samples which included 9249 sources tested by laboratories during 1997-2001 and thus, Rs.0.43 crore were spent on such testing fruitlessly. ZPED, Kolar and Chickballapur entrusted (May 1999) testing of water samples to two agencies even before Government approval in April 2000 and made an excess payment of Rs.2.58 lakh for 6455 samples at the rate of Rs.500 per sample as against the approved rate of Rs.460.

State Government failed to address water quality programmes and also delayed completion of Sub-Mission Projects

(d) EIC stated (June 2001) that as ZPEDs were overloaded with different works, services of private agents were availed for preparing sub-Mission projects. Government did not rejuvenate the non-functional laboratories and sanctioned 12 new laboratories during 1997-98 (7) and 1998-99 (5) without ensuring provision of staff etc. As a result, water quality monitoring and surveillance system failed to address water quality problems in rural habitations. According to information compiled by EIC, RDED based on the reports of the private agencies engaged for testing water samples, there were 20460 habitations (36 per cent of total habitations) in the State where quality of water supply was affected by excess fluoride (5728), brackishness (4309), excess nitrate (4064) and excess iron (6359). In Chitradurga, Tumkur, Kolar and Mandya districts, 79, 68, 52 and 75 percent respectively of the total habitations did not have safe drinking water. District Health and Family Welfare Officers of Gulbarga and Tumkur reported (February 1998 and March 2000) that 1.29 lakh persons were affected by dental and skeletal fluorosis due to continuous use of water contaminated by excess fluoride. Besides, 1.57 lakh persons were affected in the State during 1997-2001 by water borne diseases such as cholera (812), gastroenteritis (82941), jaundice (3232) and typhoid (69556).

EIC, RDED failed to monitor the functioning of the water quality surveillance system in the State and as a result, water quality problems remained unaddressed, posing health hazards to the rural population.

6.1A.10 Multilateral and bilateral assisted projects

There were three projects of a total value of Rs.413.67 crore implemented in 23 districts of the State with bilateral and multilateral assistance from World Bank, Danida and Netherlands. These projects integrated Rural Water Supply with sanitation. The status of implementation of rural water supply components envisaged under these projects was as shown below:

Name of the Project	Intended water supply coverage	Duration of Project	Actual coverage	Estimated cost	Expenditure	Remarks
				(Rupees in crore)		
World Bank assisted KIRWS&ES[$] Project	1104 villages	1993-2001	965 villages	204.25	332.78	215 schemes had not been handed over to VWSSCs* for O&M. In 5 of the incomplete works, power supply had not been arranged though civil works had been completed.
Danida assisted RDWS[@] Project	726 villages	1996-2002	488 villages	22.07	19.22	229 of the completed schemes had not been handed over to VWSSCs
Netherlands assisted IRWS&S[#] Project	201 villages	1993-2000	201 villages	59.75	61.67	2 schemes in Bijapur had not been commissioned so far

$ = Karnataka Integrated Rural Water Supply & Environmental Sanitation Project.
* =Village Water Supply and Sanitation Committees.
@ = Rural Drinking Water Supply and Sanitation Project.
# = Integrated Rural Water Supply and Sanitation Project

The World Bank assisted project witnessed chronic delay in completion of works ranging from 12 to 36 months and the resultant cost overrun of Rs.128.53 crore. Test-check of project execution revealed the following irregularities:

(i) Idle laboratory equipment

Laboratory equipment such as incubators, water baths, autoclaves, centrifuges etc., required for testing of quality of water costing Rs.0.33 crore purchased during 1999-2000 out of the World Bank assistance remained idle for want of staff in seven test-checked divisions.

(ii) Delay in encashing bank guarantee

Executive Engineer (EE), World Bank division, Bellary rescinded (July 1999) the contract of an agency due to poor progress and failed to immediately encash the bank guarantee (guarantee expired only in August 1999) given by the agency towards mobilisation advance received. The bank refused to entertain the belated claim (November 1999) of the EE, resulting in non-recovery of Rs.5.10 lakh due from the agency. Recovery of the dues from the agency seemed doubtful.

6.1A.11 Material management

(a) Misappropriation of stores

Responsibility for mis-appropriation of stores costing Rs.3.99 crore had not been fixed for 1 to 10 years

(i) During 1991-2000, in 9 ZPEDs, EEs who noticed shortage of stores aggregating Rs.3.23 crore did not recover (August 2001) the cost from the officials responsible. ZPED, Gulbarga alone accounted for Rs.2.14 crore (65 per cent).

(ii) In ZPED, Gulbarga, the Store Keeper made fictitious and unauthorised issues of stores costing Rs.0.76 crore during 1995 to 1999 in favour of sub-divisions and section officers without indents. Though these fictitious issues were not accounted either in the sub-divisional stock accounts or Materials-at-site accounts of the section officers, the Divisional Accountant/Executive Engineer failed to notice such fictitious issues during the check of monthly stock accounts. These lapses facilitated continued and widespread misappropriation of stores which were detected only in June 2000. Details of action to fix responsibility were awaited (May 2001).

(b) Huge retention of idle stock

Eleven ZPEDs had huge stock of unutilised water supply materials valued Rs.3.10 crore which were lying idle for considerable period ranging from 1 to 14 years. Gulbarga (Rs.0.87 crore) and Bellary (Rs.0.56 crore) accounted for 46 per cent of the idle stock which consisted mainly of handpump spares and water supply/electrical items.

6.1A.12 Management Information System not used

For essential planning, implementation and monitoring of the programme, EIC, purchased (July 1999/August 1999) 50 Computers and accessories costing Rs.1.57 crore out of 100 per cent assistance provided by Government of India during 1996-99. EIC purchased the computers from the agency[π] approved by Government of India. Although these computers had been installed during 1999-2000 in ZPEDs and Circle Offices, these were not effectively used as National Information Centre Services (NICS) was yet to

[π] Wipro Infotech Solutions and Systems Integration supply the customised software including the office automation package for which Government of India released funds only in February 2001.

6.1A.13 Training activity neglected

State Government was to establish a Human Resource Development Cell (Cell) to train mechanics/health motivators/masons etc., as part of capacity building of local communities and equipping them especially women for O&M of handpumps and water supply schemes. State Government was also to build up a pool of district level trainers. The Cell which was established in 1996 with a staff strength of 13 headed by a Deputy Director did not conduct any grass root level training for local communities. EIC stated (June 2000) that the training of local communities was in the pipeline. Neglect of training negated the concept of community participation in the O&M of rural water supply schemes.

6.1A.14 Monitoring

At the State level, the implementation of the Programme was to be monitored by High Level Committee (HLC) and Empowered Committee (EC). A monitoring cell and investigation unit (MIU) was also to be set up for collecting information from the executing agencies and maintenance of data and monitoring of quality of water, adequacy of services and other related qualitative aspects of the Programme. At the district level, District Level Committees (DLCs) were to be set up for monitoring the execution of the works in the districts.

The HLC and EC were constituted in the State only in January 2000, four years after the Ministry's directions in February 1996. While the HLC met only once after its formation, EC did not meet at all. Thus, there was no monitoring by these Committees. Out of 7 districts test-checked, DLCs were not constituted in Mandya, Bijapur and Gulbarga. The monitoring of the Programme at the district level was, by and large, routine and concentrated only on physical and financial targets. As a result, the Programme suffered from serious shortcomings like improper/incorrect reporting of financial and physical achievements, unutilised advances treated as final expenditure, failure to prioritise activities, heavy cost and time over-runs, non-functioning of water quality and surveillance system etc.

Due to improper monitoring and mismanagement, even after spending Rs.1593 crore since VII plan, 2386 habitations (4 per cent) had not been covered under the Programme and another 22980 habitations (41 per cent) were yet to be provided with 40 LPCD of water.

6.1A.15 Evaluation

State Government was to undertake evaluation studies from time to time to assess the extent to which the Programme succeeded in providing sustained and adequate quantity of safe drinking water to the rural population. No such evaluation was conducted during 1997-2001 in the State. EIC stated (June 2001) that evaluation study on handpump maintenance had been entrusted to a consultant and the report was awaited.

6.1A.16 Impact assessment of the implementation of the Programme

Summary of the information furnished by the 35 blocks to the key indicators is given below:

Status	No. of habitations having affirmative functional status	No.of habitations having negative functional status
Quantity of Water Supply (40 LPCD Affirmative; Less than 40 LPCD negative)	4058	4069 (50 per cent)
Regular Water Supply (Adequate water supply through out the year-Affirmative; Irregular water supply particularly during Summer-Negative)	3128	4999 (62 per cent)
Convenient Location (Water Source within 1.6 Km –Affirmative and Water Source beyond 1.6 Km –Negative)	8125	2
Satisfactory water quality (Water free from flouride,arsenic, iron and salinity-Affirmative; Quality affected water – Negative)	5160	2967 (37 per cent)
Water testing	---	8127 (Water testing was done only during 2000-01)
Water and Sanitation Committees	3 blocks	32 blocks
Own maintenance of assets by community	---	35 blocks
Cost recovery from beneficiaries	---	35 blocks
Contribution of capital cost by community	--	35 blocks
Adequacy of operating staff	15 blocks	20 blocks
Incidence of water borne diseases	Declining in 29 blocks	Increasing in 6 blocks

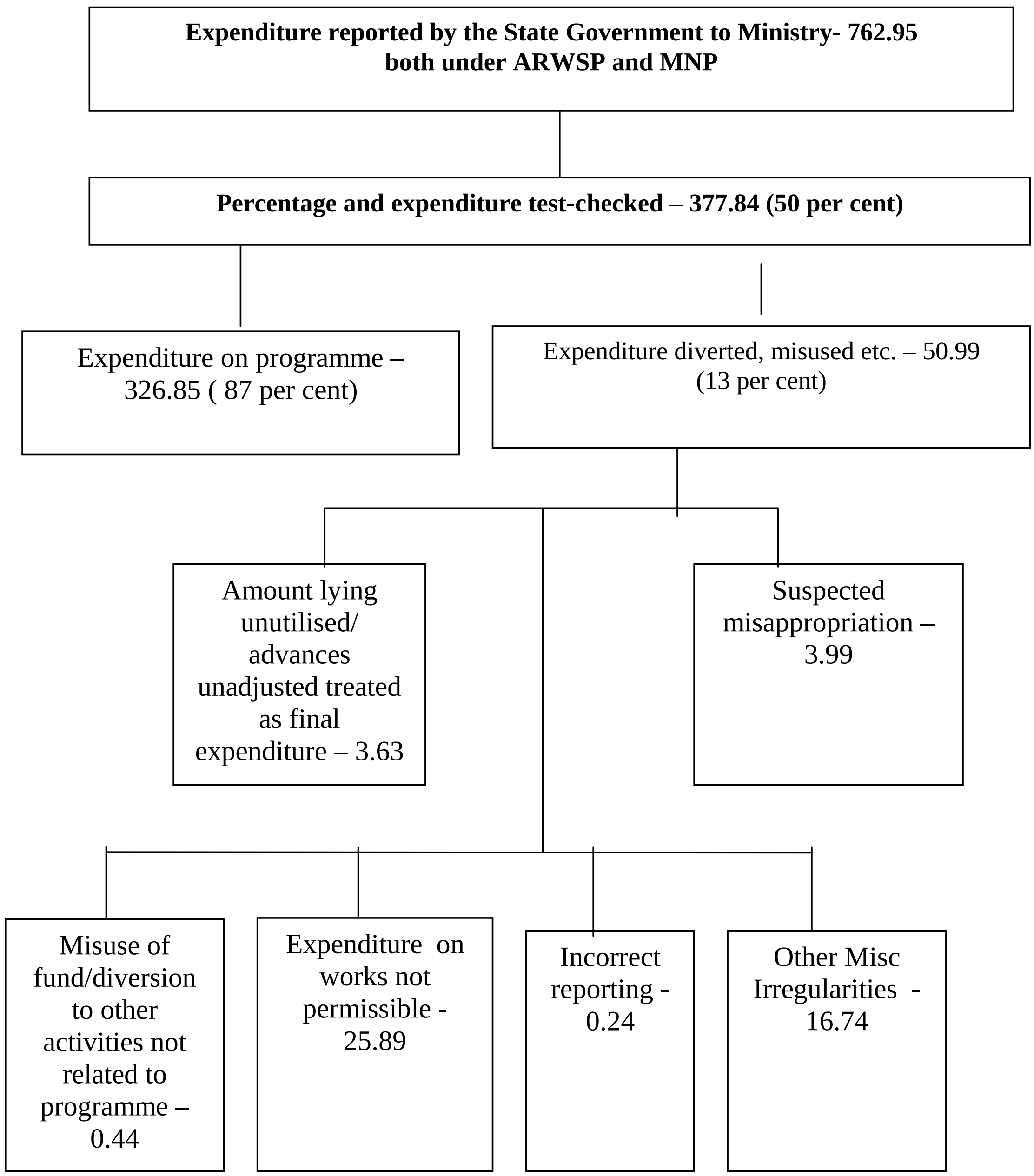
There was reversal of positive trend in 2722 habitations (33 per cent) where 40 LPCD supply was available prior to 1997. During 1997-2001, these habitations slid back into the category of partially covered habitations as drinking water supply level reduced to below 40 LPCD.

Thus, large number of non-functional assets, inadequate and irregular water supply, absence of regular water quality monitoring, high proportion of quality affected sources, reversal of fully covered habitations into partially covered habitations were indicative of serious weaknesses in the planning and implementation of the rural drinking water supply schemes and as a result, the Programme failed to provide adequate, potable and safe drinking water to the large part of rural population.

FINANCE TREE

(REVIEW ON ACCELERATED RURAL WATER SUPPLY PROGRAMME)

(Amount: Rupees in crore)



6.1B Accelerated Urban Water Supply Programme

6.1B.1 Introduction

Government of India (GOI), Ministry of Urban Development (Ministry) launched (March 1994) the Centrally sponsored Accelerated Urban Water Supply Programme (AUWSP) to extend financial support to the State Governments for providing water supply facilities in towns having population less than 20000 (as per 1991 census). The principal aim of the Programme is to improve the quality of life of the poor, specially the most vulnerable sections such as women, children and other deprived sections who do not have access to safe water. There are 134 towns in the State with population of less than 20000 (as per 1991 census). The total urban population in these towns is 14.37 lakh.

6.1B.2 Objectives

The objectives of AUWSP are

(i) to provide safe and adequate water supply facilities to the entire population of the towns having population less than 20,000 (as per 1991 census) by the end of VIII Five Year Plan (2002)

(ii) to improve the environment and quality of life

(iii) to better socio-economic conditions and enhance productivity to sustain the economy of the country

6.1B.3 Organisational set-up

The Ministry was responsible for planning, policy formulation, financing and review of the implementation of AUWSP. In the State, Urban Development Department headed by a Secretary was responsible for implementation of AUWSP through the Karnataka Urban Water Supply and Drainage Board (Board) headed by a Chairman. A State Level Selection Committee (SLSC) headed by Secretary, Urban Development Department was responsible for the selection of towns/schemes. State Government was to submit Detailed Project Report (DPRs) of selected schemes to Central Public Health and Environmental Engineering Organisation (CPHEEO) of the Ministry and obtain its approval.

6.1B.4 Audit Coverage

Implementation of AUWSP during 1993-2001 was reviewed by test-check of records in the Board and six out of sixteen Board divisions covering nine out of twenty five schemes and expenditure of Rs.14.22 crore (66 per cent of total expenditure). The findings of the review are discussed below.

6.1B.5 Financial outlay and expenditure

The Programme being Centrally sponsored was funded on grant basis, 50 per cent by the Central Government and 50 per cent by the State Government including 5 per cent contribution from the beneficiaries. Ministry was to release its share in three instalments and the State Government was responsible for providing matching share under the State Plan and ensuring timely release of funds. Board was to maintain separate accounts for the funds released by the Centre and the State.

Details of allocation and funds released by Ministry to the State Government and those released by the State Government to the Board, actual expenditure furnished by the Board divisions and the expenditure certified in the Utilisation Certificates (UCs) sent by the Board to GOI during 1993-2001 were as shown below:

(Rupees in crore)

Year	Allocation of funds by Government of India	Funds released by Ministry to State Government	Funds released by State Government to the Board	Expenditure	Expenditure certified in the utilisation certificates
1993-1994	0.79	0.85	-	0.45	Nil
1994-1995	1.05	1.05	-	0.31	0.74
1995-1996	1.31	-	-	0.35	0.11
1996-1997	1.36	0.48	2.38	0.36	1.22
1997-1998	1.80	1.80	1.80	1.66	2.09
1998-1999	2.48	2.98	2.98	3.38	2.50
1999-2000	4.03	4.66	4.66	2.16	3.25
2000-2001	5.56	5.56	5.56	12.98	-
Total	18.38	17.38	17.38	21.65	9.91

Ministry did not release any funds to the State during 1995-96. During 1996-97, only 35 per cent of the allocated funds were released. The Ministry, while releasing funds, did not make scheme-wise releases and State Government also did not make scheme-wise releases to the Board. As a result, scheme-wise releases were not available. The Board also did not maintain separate accounts for AUWSP.

State Government did not release its matching share of Rs.17.38 crore for AUWSP

As of March 2001, State Government released to the Board only the Central share received and did not release its matching share of Rs.17.38 crore during 1993-2001. The expenditure of Rs.21.65 crore was also inflated by Rs.4.34 crore (as discussed in para 6.1B.5.1 below) and as a result, the expenditure on AUWSP as of March 2001 was only Rs.17.31 crore. This effectively meant that State had used only the Central assistance so far on AUWSP and did not contribute financially to AUWSP. In the absence of matching share of State Government, completion of the schemes under AUWSP were badly delayed.

6.1B.5.1 Misleading reporting of expenditure

The financial achievements during 1993-2001 reported to Government of India by State Government were incorrect and inflated as :

Inflated financial achievements were reported to Government of India to get more Central assistance

(a) As per the AUWSP guidelines, State Government was entitled to establishment charges at 3 per cent of the cost of works and any additional expenditure over this limit was to be borne out of the State funds only. However, the reported expenditure of Rs.21.65 crore included establishment charges charged at the rate of 15 per cent. Thus, excess expenditure of Rs.2.25 crore, instead of being met from the State funds was charged to the AUWSP fund.

(b) The sanction of the schemes by CPHEEO was subject to the condition that increase in project cost due to price escalation was to be met from the State funds. However, excess expenditure of Rs.2.09 crore over the approved cost of 8 schemes was debited to AUWSP funds.

(c) The scheme-wise financial achievements reported to Government of India varied from the actual financial achievements. Although State Government did not release its matching share to the Board, the financial progress reports sent to Ministry/CPHEEO reported that State share of Rs.14.57 crore had been released. Further, in the UCs submitted to the Ministry, Managing Director (MD) of the Board certified inflated expenditure on the schemes. As against the actual expenditure of Rs.8.67 crore during 1993-2000, the expenditure certified was Rs.9.91 crore and thus, an excess expenditure of Rs.1.24 crore was certified. The incorrect UCs and progress reports to Ministry/CPHEEO would facilitate obtaining higher Central assistance without actual expenditure and was, thus, misleading.

6.1B.5.2 Delay in release of Government of India funds

State Government not only failed to release its matching share but also delayed release of AUWSP funds to the Board. AUWSP funds of Rs.1.90 crore released by Government of India during 1993-95 were released to the Board only in February/March 1997 after a delay of 23 to 34 months. Similarly, during 1997-2001, there was a delay of 5 to 18 months in releasing AUWSP funds after its receipt from Government of India. Delay in release of funds and failure to release the State share affected the planning and execution process as only 8 out of 25 schemes taken up under AUWSP had been completed (March 2001).

6.1B.6 Planning

(i) Schemes taken up on adhoc basis

State Government failed to prioritise the activities and planning was lacking in the implementation of AUWSP

Before preparation of detailed project reports, State Government/Board was to prepare the list of towns having special problems such as very low per capita supply, very distant/deep water source, high incidence of water borne diseases etc., and prioritise coverage of these towns under AUWSP. Priority towns, were, however, not identified. No socio-economic survey was conducted before selection of towns. SLSC selected the towns on adhoc basis and as a result, towns with high per capita supply (35 to 67 LPCD) were selected while towns with very low per capita supply (15 to 25 LPCD) were ignored. Thus, the scheme failed to make any impact on priority areas, while funds were wasted on other towns as discussed in para 6.1B.8.

(ii) Community participation not ensured

Community participation right from the planning stage was the cardinal principle underlying AUWSP. The community was to build up its expertise and training during the execution of the schemes so as to be ready to maintain them on their completion. The planning of the implementation of AUWSP was deficient as community was not consulted in planning, decision making, construction and operation and maintenance of the schemes which were taken up as routine. Beneficiary contribution of 5 per cent of the cost of schemes had also not been collected. Departure from the prescribed means of achieving the end objective negated the concept of AUWSP.

(iii) Most of the towns were not covered

As against 134 towns requiring coverage under AUWSP, CPHEEO sanctioned schemes only for 25 towns at an estimated cost of Rs.44.20 crore. (Central and State share of Rs.22.10 crore each). Of this, while Government of India released Rs.17.38 crore, State Government did not release any share so far. Although AUWSP had been in operation since 1993-1994 and envisaged coverage of all towns in the State with a population of less than 20,000 by end of VIII Plan, provision of funds was too meagre to meet this target. As a result, the problem of water supply in the towns remained mostly unattended.

6.1B.7 Physical achievements

(i) The details of schemes sanctioned by CPHEEO and completed under AUWSP during 1993-2001 were as shown below:

(Rupees in crore)

Sl.No.	Year	Number of schemes sanctioned by GOI	Estimated Cost	No. of schemes completed
1	1993-1994	Nil	Nil	-
2	1994-1995	Nil	Nil	-
3	1995-1996	07	4.39	-
4	1996-1997	01	0.38	-
5	1997-1998	04	7.38	-
6	1998-1999	02	6.89	5
7	1999-2000	07	13.72	3
8	2000-2001	04	11.44	-
TOTAL		25	44.20	8

Only 8 out of 25 schemes were completed

The 8 schemes which were completed were taken up prior to 1997-98. One major reason for such delays was that Board enlarged the scope of the sanctioned schemes without approval of Government of India and obtained the approval of the State Government to the revised estimates. Thus, the estimated cost of Rs.44.20 crore for 25 schemes sanctioned by GOI, increased to Rs.56.59 crore. Major changes in scope of the schemes delayed the execution of schemes as State Government accorded approval to the revised estimates after delay of 8 to 46 months (11 schemes). Long delay in completion of the schemes negated the concept of AUWSP.

(ii) Of the 8 completed schemes, 3 schemes completed during 1998-2000 had not been handed over to the local bodies for maintenance.

6.1B.8 Execution

(i) Scheme executed in a town where there was no demand for water

Scheme executed in a town where there was no demand for drinking water

Augmentation of water supply scheme to Saligrama town in Dakshina Kannada district was completed under AUWSP in March 2000 at a cost of Rs.1.17 crore. Under the scheme, per capita supply of water was proposed to be increased from 35 to 70 LPCD. Town Municipal Council (TMC), Saligrama which took up the scheme (March 2000) for O&M stated (February 2001) that only 4 domestic connections had been given under the scheme since March 2000. This was despite advertisement (May 2000) in local newspapers directing the town population to avail the facility of drinking water. Failure of the Board/SLSC to ensure demand for drinking water from the local communities before covering the town under AUWSP resulted in a fruitless expenditure of Rs.1.17 crore on the scheme at the cost of other towns in the State with very low per capita supply.

(ii) Scheme in a town with very high per capita supply

Arkalgud town in Hassan district with an existing supply level of 67 LPCD of drinking water was taken up under AUWSP and the augmentation of the

Town with a very high per capita supply was covered under AUWSP

existing scheme was completed in February 2000 at a cost of Rs.1.96 crore. Although the scheme as executed was designed to increase the supply level to 90 LPCD, the existing distributing system was not enlarged/modified to supply 90 LPCD of water. As a result, there was only a marginal increase of 4 LPCD of water after commissioning of the scheme. Executive Engineer (EE) of the Board, Hassan Division stated (February 2001) that action would be taken to modify the distribution system. Thus, the action of SLSC/Board in covering the town with very high per capita supply under AUWSP was unjustified. Besides, improvement to the existing scheme without modifying the distribution system facilitated a fruitless expenditure of Rs.1.96 crore.

6.1B.9 Quality of water

Quality of treated water was to be monitored in order to maintain the drinking water standards. However, in respect of 8 schemes commissioned, quality of water was not tested either by the Board or by TMCs (March 2001).

6.1B.10 Monitoring

Monitoring of AUWSP by the Board/Government was routine and concentrated mainly on achievement of physical and financial targets. Deficiencies like selection of schemes on adhoc basis without prioritisation, non-release of the matching share by State Government, reporting of inflated financial achievements to Government of India, delay in completion of several schemes were indicative of weak monitoring of the implementation of AUWSP.

6.1B.11 Impact assessment of the implementation of AUWSP

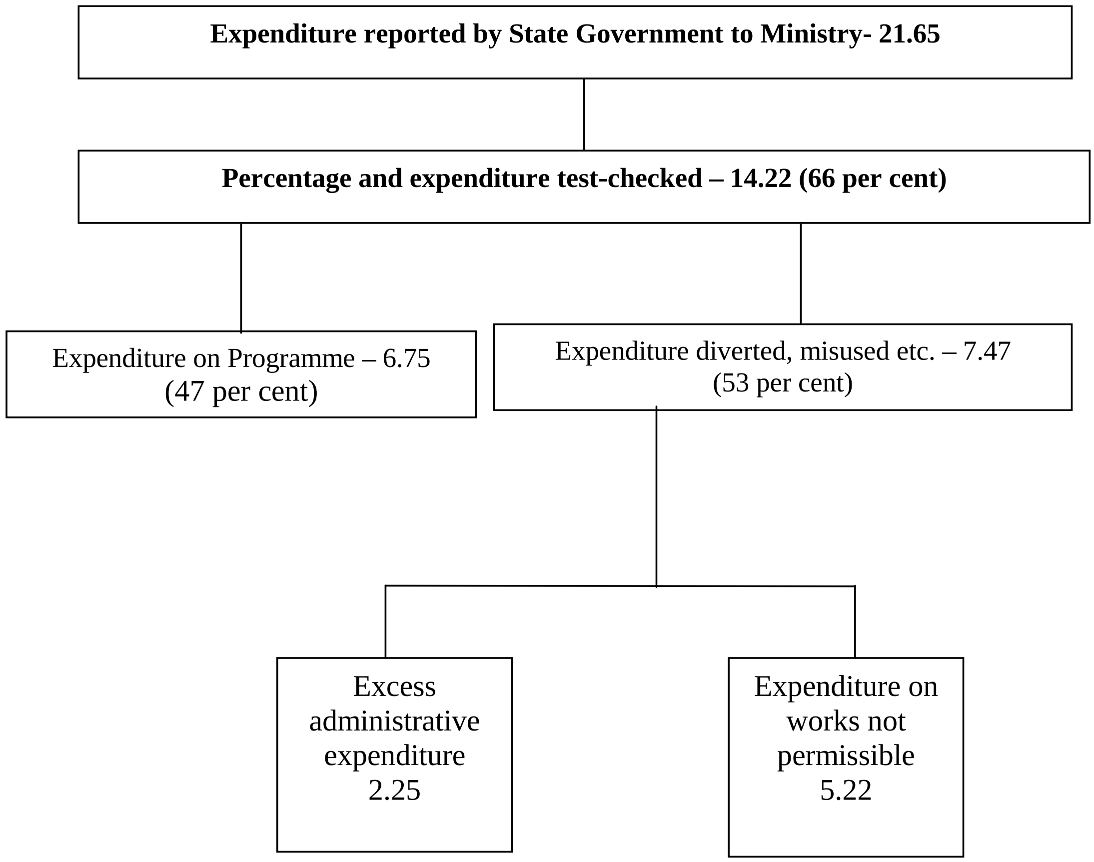
AUWSP largely failed to achieve the end objective of providing safe and adequate drinking water facility to the entire population of the towns with a population of less than 20000, as only 8 out of 134 such towns in the State had been covered so far. Funds provided for AUWSP were too meagre to meet the target. Additionally, State Government did not contribute financially to AUWSP. Application of funds without planning resulted in non-coverage of priority towns, non-participation of the communities in the implementation and operation and maintenance of the schemes, coverage of towns with high per capita supply at the cost of others with low per capita supply etc. Monitoring of the implementation of AUWSP was weak.

The matter was referred to Government in August 2001; reply had not been received (September 2001).

FINANCE TREE

(REVIEW ON ACCELERATED URBAN WATER SUPPLY PROGRAMME)

(Amount: Rupees in crore)



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SECTION 'B' - PARAGRAPHS

COMMERCE AND INDUSTRIES DEPARTMENT

6.2 Unnecessary and fruitless payment of interest

Failure of Chief Executive Officer and Executive Member to indicate the correct status of the Board at the time of floating the Bonds resulted in unnecessary and fruitless payment of interest of Rs.38.24 lakh to the investors

With a view to meeting its resource requirement for ongoing land acquisition and development activities, Karnataka Industrial Areas Development Board (Board) floated (April 1998) the issue of secured, redeemable and non-convertible Bonds (Bonds) for Rs.50 crore with annualised yield of 15.03 per cent per annum with option to retain the over-subscribed amount.

Institutional investors like non-Government Provident Funds, Superannuation Funds and Gratuity Funds which invest in Public Sector unit bonds are eligible for income tax concession under the Income Tax Act, 1961. Inspite of a clarification (November 1997) from the Chief Commissioner of Income Tax, Bangalore (CCIT) that the Board was not an infrastructure undertaking as it was not owned by a Company or Consortium of Companies as required under Section 80 IA (4A) of the Income Tax Act 1961, the Board in the Information Memorandum projected itself as a Public Sector Company and stated that non-Government Provident Funds, Superannuation Funds and Gratuity Funds would be eligible for the income tax concessions for their investments in the Bonds. The issue which closed on 31 May 1998 was oversubscribed and Rs.86.51 crore was received by the Board.

After closure of the issue, the Board informed (June 1998) the investors that it had mis-represented its status as a Public Sector Company in the Information Memorandum and gave them the option of withdrawing the investment. The Board refunded (June 1998) Rs.20.11 crore to the investors along with interest aggregating Rs.38.24 lakh. Government stated (June 2001) that after consultation with the advisors (SBI Capital Markets Limited) to the issue, the status of the Board was mentioned as Public Sector Company in the offer document (April 1998). The reply was not tenable as clarification of the CCIT regarding the status of the Board was received by the Executive Member of the Board in November 1997 itself. Government further stated that the interest paid on the amount refunded was justified as the said amount was used by the Board for activities like acquisition of land, development of industrial areas etc. However, after the issue closed on 31 May 1998, the amount was credited to Board's account only in June 1998 and refund of the application money of Rs.20.11 crore was made to the investors in the last week of June 1998 itself. Further, out of Rs.86.51 crore received, only Rs.20.91 crore had been spent by the Board during June 1998 for development purposes. Thus, the Board could not utilise Rs.45.49[λ] crore.

Thus, furnishing misleading and incorrect information by the Chief Executive Officer and Executive Member of the Board in the Information Memorandum though specific clarification from the Income Tax Department on the contrary was available resulted in fruitless and avoidable payment of interest of Rs.38.24 lakh. Government need to take steps to prevent the occurence of such wanton waste of public funds.

6.3 Extra contractual/excess payments and undue favours to a contractor

Chief Executive Officer and Executive Member/Chief Development Officer of the Board failed to enforce the contractual provisions. The lapses facilitated excess payments and undue favours aggregating Rs.17.97 crore to the contractor and caused huge financial loss to the Board

With a view to promoting ancillary units, employment generation and upgradation of skills in automobile industry, State Government allotted (January 1998) about 429 acres of land belonging to Karnataka Industrial Areas Development Board (Board) at a concessional rate of Rs.6 lakh per acre to Toyota Kirloskar Motors Private Limited (TKML) for establishing an automobile industry near Bidadi in Bangalore Rural district. Board was to acquire, level, develop and allot the land to TKML. Chairman of the Board approved (October 1997) the lowest tender of A.Prabhakar Reddy and B.Kumaraswamy Reddy Consortium, Hyderabad (contractor) for Rs.19.61 crore for site gradation and levelling of the land allotted to TKML. The contractor completed the work in July 1998 at a cost of Rs.42.54 crore. The reason for increase in cost of work was huge increase in quantity of excavation due to defective estimation. As against 40 lakh cum of excavation (including 4 lakh cum of hard rock) as per the estimate, the actual quantity of excavation was 70.46 lakh cum (including 17.90 lakh cum of hard rock). Scrutiny revealed the following:

(i) Wrong classification of weathered rock/other material as hard rock

According to the agreement (November 1997) with the contractor, hard rock was to be excavated by blasting and stacked in measurable form. Payment for hard rock excavation was to be made based on stack measurements after allowing for voids (50 per cent). The total quantity of excavation minus the hard rock quantity was to be paid as soil which also included soft, disintegrated or fissured rock. While serviceable soil was to be used for filling, the surplus soil and the unserviceable hard rock were to be disposed of at dumping sites. The tendered rate for hard rock and soil excavation was Rs.63 per cum and Rs.47.48 per cum respectively.

[λ] Amount realised Rs.86.51 crore, less utilised Rs.20.91 crore and refunded Rs.20.11 crore

Executive Member (EM) of the Board approved (May 1998) disposal of the blasted rock into low lying areas and borrow pits without stack measurements based on a report (February 1998) from Torsteel Research Foundation in India (TRFI) who had been engaged by the Board for quality assurance of the work. The report stated that hard rock was interspersed with weathered rock and when blasting was resorted to, most of the weathered rock got fragmented into small pieces and thrown far away and also got powdered. The report suggested taking sectional measurements before and after the blasting operations for measuring the excavation by blasting. It was, however, noticed that TRFI's report only discussed difficulties in stacking blasted fragments of weathered rock and did not state that hard rock pieces could not be stacked. Even as per the agreement, only hard rock excavated was to be stacked. The contractor also did not represent for dispensing with the stacking of hard rock. As a result of EM irregularly dispensing with stacking of hard rock and its measurement, payments for hard rock excavation were made for 17.89 lakh cum based on sectional measurements of blasted portion which included weathered rock also. However, according to the entries made in the measurement books, the quantity of hard rock deposited at dumping sites was only 8.94 lakh cum. The balance of 8.95 lakh cum evidently represented material other than hard rock which was used for filling in TKML area as per report (July 1998) of TRFI. Thus, unjustified action of the EM in dispensing with stacking of hard rock facilitated wrong classification of material (weathered rock, hard soil as hard rock), which resulted in excess payment of Rs.1.39 crore to the contractor.

(ii) Doubtful use of explosives for blasting

According to the data analysis of National Highways Circle, 0.39 kg of Special Gelatin 80 per cent is required for blasting 1 cum of hard rock. Based on this scale, the contractor should have procured and used 349 Metric Tonnes (MTs) of explosives for excavating 8.94 lakh cum of hard rock by blasting. Besides, very large quantities of detonators and safety fuse coils were also necessary. As per the agreement, the contractor was required to obtain license from the Controller of Explosives to carry out blasting operations as well as for procuring and storing explosives. Further, blasting operations were to be carried out with the prior permission of the Engineer-in-charge. Only gunpowder, dynamite, gelatin and other safe explosives were to be used and explosives with nitroglycerine were to be used under exceptional circumstances with prior approval of the Engineer. Thus, Board was to monitor the blasting operations at the work site.

Scrutiny of the records of Deputy Chief Controller of Explosives, Mangalore revealed that no license had been granted to the contractor under the Indian Explosives Rules, 1983 at any time for storage of explosives at any place in the State. According to the Controller of Explosives, Mangalore, the distance between the magazine where explosives are stored and the blasting site should be within a radius of 100 kilometres. It was further noticed that none of the license holders in Bangalore and other six neighbouring districts had used more than 11 MTs of explosives during November 1997 to June 1998 indicating that they were in possession of explosives far less than the quantity required for blasting 8.94 lakh cum of hard rock. There was no provision in the agreement for subletting any item of work. During joint visit (May 2001) of dump areas by Principal Accountant General (Audit)-I and EM, it was stated that the contractor had sublet the blasting work. Though agreed to during the joint visit, EM did not furnish the details of the license holder to whom the blasting work had been sublet and the quantities and nature of explosives used for the work.

Thus, Board which was to monitor blasting operations could not furnish the details of the agency which conducted blasting operations at site. Evidently, Board did not monitor the blasting operations at the work site. EM stated (May 2001) that hard rock was disposed of in the low-lying areas based on the recommendations of TRFI and there was no wrong classification of hard rock. The reply was not tenable as there was no representation from the contractor for dispensing with stacking of hard rock. Also during joint visit, EM did not show 8.94 cum of hard rock in the dump area. The Board did not also respond to the suggestion of audit to drill a few bores to prove that hard rock was, infact, dumped. Thus, classification of hard rock was suspect. Payment at rate applicable for hard rock for this quantity resulted in excess payment of Rs.1.39 crore. The matter calls for investigation.

(iii) Non-deduction of shrinkage from the quantity of embankment

No matter how well an embankment has been consolidated, it will keep on settling for some years due to its enormous weight and rainfalls. State Government prescribed (May 1977) that in the case of earthern embankment, all payments/measurements intermediate and final shall be made subject to 2.5 per cent deduction in the quantity of embankment actually constructed. It was, however, seen that deduction towards shrinkage from the quantities of embankment constructed by the contractor was waived off under the orders of Executive Member on the ground that the process of compaction had been done using hi-tech vibratory rollers with the required moisture content and the specified proctor density had been achieved through out the embankment portion. This was irregular as the percentage of deduction towards shrinkage prescribed by Government was applicable even if the prescribed degree of compaction had been achieved and irrespective of the type of roller used. Further, the Board had been deducting shrinkage in respect of all embankments constructed for various works including other works constructed in the same industrial area. Unjustified action of the Executive Member in waiving off deduction towards shrinkage from the quantity of embankment resulted in huge excess payment of Rs.78.82 lakh to the contractor in respect of 66.40 lakh cum of embankment constructed.

EM stated (May 2001) that payment was to be made as per agreement for cutting and serviceable material which was used for filling and deduction for shrinkage did not arise. The reply was not tenable as deduction towards shrinkage was mandatory according to Government orders of May 1977 and Board was deducting towards shrinkage in respect of all embankments constructed for various works.

(iv) Rebate for reduced scope of work not obtained from the contractor

According to the specification for embankment, the contractor was to spread soils in layers of thickness not exceeding 25 cms and compact it so as to obtain minimum degree of compaction of 95 per cent. During execution, the thickness of compacting layer was increased to 50 cms and the degree of compaction revised to 92 per cent. Although increasing the thickness of each layer to 50 cms reduced the work of the contractor nearly by 50 per cent in terms of spreading, watering and rolling. EM failed to obtain rebate from the contractor at the time of approving the revised specification for embankment and thus, facilitated undue favour of Rs.5.19 crore to the contractor.

EM stated that the contractor used hi-tech vibratory rollers, mechanical graders and water sprinklers for compaction and would have incurred more expenditure for these machinery as compared to the conventional rollers irrespective of the thickness of layers. The reply was not tenable as the contract agreement prescribed that the compaction should be done by the contractor with sheep foot roller or power driven roller or vibratory roller as approved by the Engineer-in-charge till the specified degree of compaction was obtained.

(v) Huge financial loss due to non-recovery of royalty

At the time of calling for tenders in September 1997, the quantity of embankment notified by the Board was only 36 lakh cum and this entire quantity was to be constructed by re-using the excavated soils. However, during execution, the quantity of embankment increased to 66.40 lakh cum and the excavated soils were not sufficient for constructing the entire quantity of embankment. As a result, 13.84 lakh cum of embankment had to be constructed with earth obtained from borrow pits in the industrial area. Although royalty of Rs.35.44 lakh[✞] was to be recovered from the contractor on the quantity of borrowed earth used for embankment, the same was not recovered. Failure to recover royalty resulted in financial loss of Rs.35.44 lakh to Government.

EM stated that earth for embankment was obtained from the land acquired by the Board for the industrial area and the question of recovering royalty did not arise. The reply was not tenable as Karnataka Minor Mineral Concession Rules, 1994 prescribing recovery of royalty for minor minerals was applicable for the lands owned by the Board also.

(vi) Irregular derivation of rate for embankment with borrowed earth

During execution, when the item of embankment with borrowed earth was introduced as an extra item, the item was considered similar to the item of "Earthwork in excavation and filling in site levelling and general grading for roads, embankments etc., in all kinds of soils" for which the contractor had quoted Rs.47.48 per cum. Chief Development Officer (CDO) approved

[✞] Weight of 1 cubic metre of earth – 1.28 tonne
Weight of 13.84 lakh cubic metres of earth = 17.72 lakh tons
Royalty for 17.72 lakh ton at the rate of Rs.2 per tonne = 17.72 x Rs.2 = Rs.35.44 lakh

(September 1998) the rate of Rs.47.48 per cum for embankment with borrowed earth. It was, however, noticed that the sanctioned estimate as well as the tender schedule treated the item of embankment with borrowed earth as a separate item distinct from the item of "Earthwork excavation and filling in site levelling and general grading etc". Embankment with borrowed earth, though initially included in the tender as a separate item, was deleted during the pre-bid conference as the entire quantity of embankment was proposed to be constructed initially only with excavated soils. As per the contract agreement, rate for any extra item shall be as per the Schedule of Rates at the time of execution of such extra item plus or minus the overall tender percentage. Under these provisions, the rate payable for embankment with borrowed earth worked out to Rs.35.73 per cum as against Rs.47.48 per cum actually paid by the Board. Failure of the CDO to correctly work out the rate for embankment with borrowed earth as per agreement resulted in excess payment of Rs.1.63 crore to the contractor for 13.84 lakh cum of embankment constructed with borrowed earth.

EM stated that CDO approved the rate using his discretionary power vested with him in the agreement. The reply was not tenable as the discretion of the CDO was evidently misused to favour the contractor by treating a different item of work similar to a tendered item of work.

(vii) Unjustified extra payments for consolidation of waste earth and hard rock in borrow pits and low-lying areas.

As per the agreement, all surplus materials were to be dumped in regular heaps, bunds, blankets, riprap with regular slopes as directed by the Engineer and levelled so as to provide natural drainage and the tendered rates for excavation included the cost of these operations. Inspite of these provisions, the contractor was paid Rs.27.51 lakh at the rate of Rs.2.35 per cum for consolidating waste earth (2.76 lakh cum) and waste hard rock (8.94 lakh cum) in borrow pits and low lying areas over and above the tendered rates. The payment of Rs.27.51 lakh was unjustified and needs to be recovered.

EM stated that the dumping created uneven and loose surface of the low lying areas measuring about 90 acres and consolidation was required to reclaim the low lying areas and make them fit for industrial purposes. However, it was noticed during the joint visit (referred to in sub-para (ii) above) that there was no evidence of 8.94 lakh cum (excluding voids) of hard rock having been dumped in the low-lying areas.

(viii) Construction of access roads and Ground Level Service Reservoir

(a) Lapses in estimation, tendering and award of contracts

Before handing over the allotted land to TKML, the Board had to provide access roads, drainage etc., besides levelling the land. Board did not, however, dovetail all the components of land development into an integrated programme. Instead of preparing a comprehensive estimate incorporating all developmental activities, Board prepared estimates separately for various components and executed these works through various agencies.

For access roads No 1A and 3A and Ground Level Service Reservoir (GLSR), although huge quantities of excavation in soils and rock were involved, they were not entrusted to the contractor inspite of the quoted rates being 38.71 per cent below the estimated rates. Further, as per the agreement, for any excess quantity of work over the Bill of Quantity, only tendered rate was payable to the contractor. In spite of these advantages, Board invited tenders for these works during December 1997 to April 1998 despite being aware of the lower rates of the contractor. Further, while the estimate for land levelling of TKML area had been prepared based on the Schedule of Rates of National Highway Circle, Bangalore, the estimates of access roads and GLSR had been split up and prepared based on higher rates sanctioned in the Schedule of Rates of PWD Circle, Bangalore. After preparing the estimates for these works based on higher rates, Board invited percentage tenders for these works (each costing Rs.44.50 lakh to Rs.179 lakh at the estimated rates) by notifying the inflated estimated rates. This was irregular as according to Government instructions, percentage tenders had to be resorted to only in respect of works costing not more than Rs.5 lakh. The time allowed for receipt of tenders was also grossly insufficient (9 to 15 days) as compared to the time limit (21 days from the first advertisement) fixed by Government. As a result, only a few agencies participated in the tendering process for seven such split-up works as shown in the Appendix 6.1.

It could be seen that three works costing Rs.4.99 crore (69 per cent of the total cost of Rs.7.20 crore) were awarded to A.Prabhakara Reddy and B.Kumaraswamy Reddy who were the contractors for the work of land levelling of TKML area and who had quoted much lower rates (Rs.47.48 and Rs.63 per cum for excavation in ordinary rock and hard rock respectively) in TKML area. Entrustment of excavation work for access roads and GLSR on the periphery of TKML area at abnormally higher rates (Rs.69.30 and Rs.264 per cum of excavation in ordinary and hard rock respectively) in total disregard of the tendered rates for levelling TKML area was unjustified in view of the financial implications. Besides, preparation of estimates for access roads and GLSR based on higher Schedule of Rates of Bangalore Circle PWD and invitation of percentage tenders also facilitated higher rates being quoted by contractors. Insufficient time allowed for receipt of tenders restricted participation of contractors in the tendering process. Thus, lapses in preparation of estimates, tendering and award of contracts resulted in avoidable extra expenditure of Rs.4.81 crore (67 per cent of total expenditure).

EM stated that an attempt was made to entrust some of these works to the contractor for TKML area but the contractor turned down the offer. The reply was not tenable as contractor was bound to execute any additional work, irrespective of quantity, entrusted as per the agreement[¤] and there was no option in the agreement for the contractor to reject entrustment of such additional work.

[¤] Clause 13b of the Agreement read with the proceedings of the pre-bid meeting stipulated that only tendered rates were to be paid for any excess quantity that might be entrusted

(b) Misclassification of weathered rock as hard rock

In respect of these seven spilt-up works on the periphery of TKML area, soil strata was same as that of the land allotted to TKML as recorded by Deputy Development Officer-II. Stacking of hard rock was dispensed with for these works also based on TRFI report. Applying the same scale of wrong classification of weathered rock in TKML area, 1.10 lakh cum of weathered rock out of the total quantity of 2.19 lakh cum of rock excavation were wrongly classified as hard rock, resulting in an excess payment of Rs.2.14 crore.

The matter was referred to State Government in April 2001. However, no reply had been received (September 2001).

6.4 Improper management of loans borrowed from KVIC

Board could not disburse loans borrowed through KVIC and unnecessarily paid interest of Rs.34.85 lakh; CEO made unauthorised advance payments to a supplier who did not supply the machinery even after receiving advance

Under the Consortium Bank Credit guaranteed by Government of India, Khadi and Village Industries Commission (KVIC) borrowed money for various Khadi and Village Industries (KVI) programmes. The Commission was on-lending the Bank credit to State KVI Boards on the guarantee of respective State Governments at one percentage point below the average of prime lending rate for village industries and at 4.5 per cent for Khadi industries. The Karnataka State KVI Board (Board) was releasing the loan to the beneficiaries for various projects in three stages towards (i) construction of building and preliminary/pre-operative expenses (ii) purchase of plant and machinery and (iii) working capital. In respect of units to be established in new buildings, the beneficiaries were to establish them within a period of twelve months.

Out of Rs.118.30 crore borrowed by the Board from KVIC for 2453 units, 129 beneficiaries to whom Board released Rs.1.91 crore during February 1997 to September 1999, did not, however, come forward to draw the second and third instalments aggregating Rs.2.56 crore, even after a lapse of 15 to 45 months from the date of disbursement of the first instalment. Misutilisation of the loan funds by the target beneficiaries in these cases can not be ruled out. Though the unavailed portion of the loan attracted interest at 15 to 12 per cent per annum during February 1997 to December 2000, the Board retained it in savings bank account (yielding a return of only 4.5 per cent per annum) and remitted it to KVIC only in June 2001. In the process, the Board made an infructuous interest payment of Rs.34.85 lakh. Chief Executive Officer (CEO) of the Board stated (July 2001) that maintaining sizeable amount in savings bank account was to facilitate timely release of funds to the beneficiaries and was inevitable. The reply was not tenable, as the unavailed loan should have been remitted back to KVIC after the expiry of the time limit of 12 months prescribed for the beneficiaries to establish the units.

In accordance with the guidelines framed (May 1996) by the Board, the second instalment for purchase of plant and machinery was to be paid directly to the supplier. It was noticed that CEO released (August 1998 to November 1999) advance of Rs.32.87 lakh to Hindustan Engineering Equipments, Bangalore (firm) for supply of machinery to 21 beneficiaries. CEO neither entered into any agreement with the firm nor specified the time limit for supply of the machinery in the purchase orders. Besides, in violation of the guidelines which prescribed advance payment to the extent of 30 per cent of the cost of the machinery, CEO made advance payment of 40 to 70 per cent, resulting in excess payment of Rs.10.21 lakh to the firm which supplied the machinery (value Rs.9.14 lakh) to only one beneficiary as of March 2001. CEO stated (July 2001) that he had released advance payments at higher rates based on the demand of the firm and in the interest of enabling the entrepreneurs to start the units in time. The reply was not tenable as violation of the guidelines facilitated huge advance payment to the firm without any agreement and rendered the recovery of Rs.23.73 lakh from the firm doubtful.

Thus, ineffective management by the Board of the loans resulted in infructuous payment of interest of Rs.34.85 lakh. Failure of the CEO to adhere to the guidelines before making advance payment to the firm for supply of machinery and to enter into a formal agreement with the firm rendered the recovery of Rs.23.73 lakh from the firm doubtful.

The matter was referred to State Government in June 2001. However, no reply had been received (September 2001).

HEALTH AND FAMILY WELFARE DEPARTMENT

6.5 Drawal of loan ahead of requirement causing avoidable interest payment

Director drew loan from HUDCO in anticipation of requirement and invested it in short term fixed deposits. In the process, avoidable interest of Rs.1.07 crore was paid to HUDCO.

Against guarantee given (December 1998) by State Government for repayment of loan together with interest, Director, Sri Jayadeva Institute of Cardiology, Bangalore (Director) entered (December 1998) into a loan agreement with Housing and Urban Development Corporation Limited, New Delhi (HUDCO) for drawal of loan of Rs.32 crore (in four instalments of Rs.8 crore each) for completion of new hospital complex on Bannerghatta road, Bangalore. HUDCO's sanction to the loan was valid till 28 October 1999 which could be extended by six months for valid reasons.

Out of the first loan instalment of Rs.8 crore drawn in February 1999 by Director, an amount of Rs.4.85 crore remained unutilised as of June 1999. As against the scheduled second loan instalment of Rs.8 crore, Director applied (May 1999) to HUDCO for release of Rs.12 crore for procurement of beds (Rs.2.90 crore), Cardio Vascular Angiography System (Rs.7 crore) and civil works and other services (Rs.2.10 crore). HUDCO released the second instalment of Rs.12 crore in June 1999. Scrutiny of the replies furnished (May 2001) by the Director and endorsed (June 2001) by Government revealed the following:

Though proposal for purchase of equipment was cleared (6 May 1999) by the High Power Committee[⌧], the Secretary to Government, Health and Family Welfare Department instructed (19 June 1999 and 25 October 1999) the Director to keep in abeyance purchase of equipment as the Finance Committee had not approved the same. The Finance Committee approved (February 2000) the purchase and permitted the Director to open letter of credit to import the equipment. The Governing Council[⌘] finally approved purchase in March 2000 when the Director placed orders for purchase of equipment. Thus, drawal of second instalment of loan in June 1999 before obtaining approval of Finance Committee and Governing Council for purchase of equipment was injudicious and also premature. Director retained the second loan instalment as also the unspent balance of the first loan instalment in short term fixed deposits which yielded interest of Rs.0.69 crore till March 2000 as against interest of Rs.1.95 crore paid to HUDCO during the same period.

HPC did not properly follow up the purchase proposal with the Finance Committee and the Governing Council. As a result, there was delay of eleven months in obtaining their approval for purchase. Failure of HPC to monitor the drawal of loan instalments resulted in wasteful expenditure of Rs.1.07[∇] crore on interest against the untimely and excessive drawal of funds from HUDCO.

[⌧] HPC consists of Secretary to Government, Health and Family Welfare Department as Chairman, Regional Chief- HUDCO, Director-Medical Education, Special Officer-PWD, Finance Cell as members and Director as Member Secretary

[⌘] Governing Council comprising Chief Minister as Chairman, Ministers of Health and Family Welfare and Medical Education as Co-Chairmen, Principal Secretaries, Finance and Health and Family Welfare Departments, Director, Medical Education and other six persons as members

[∇] Total interest paid on loan of Rs. 20 crore - Rs. 1.26 crore.
Less: Interest payable on Rs. 3.15 Crore utilised - Rs. 0.19 crore.

HOUSING DEPARTMENT

6.6 Failure of the Karnataka Housing Board to synchronise loan instalments with the progress of work/expenditure

KHB failed to synchronise drawal of loan, though covered by State Government guarantee and utilise available cash resource. This resulted in extension of the completion period and avoidable payment of escalation charges/compensation of Rs.8.93 crore to two companies.

State Government administratively approved (April 1992) a project for construction of 3500 multi-storeyed tenements (flats) of different categories in the 5th Phase at Yelahanka at an estimated cost of Rs.60.50 crore and also sanctioned for standing guarantee for a loan of Rs.90 crore (including cost of land and other expenses) to be raised by Karnataka Housing Board (KHB) to provide funds for the project from financial institutions. KHB awarded (April 1992) the work to two companies A and B[♣] at a cost of Rs.59.29 crore and entered (April 1992) into agreements with these companies for completion of the work within 24 months. Bills submitted by the companies were to be paid within 7 days and Form PWG-65 was also part of the agreement.

In the first year of contract, against a total progress of Rs.9.86 crore reported by both companies, KHB made payments after delay of 4 to 128 days from the expiry of initial 7 days of each bill and the total amount so paid to the end of March 1993 worked out to Rs.3.10 crore. The balance was paid during January to March 1994. In the second and subsequent years also, abnormal delays which ranged between 134 and 450 days were made in payment of bills of the companies. Due to delay (i) in payment of bills (ii) in handing over a portion of the land (15 acres) to company A (iii) approval of designs and (iv) providing electrical connection, work was not completed within the stipulated period of 24 months. KHB granted extension of time upto May 1996 to company A and upto October 1996 to company B. As the extension was attributable to KHB, both companies demanded (June 1993 and June 1995) payment of escalation charges due to increase in cost of material/ compensation for delayed payment of bills as provided in clause 44 of Form PWG-65. A sub-committee consisting of Chairman and Commissioner for KHB, Secretary-Housing Department, Chief Engineer (Communication and Buildings) constituted to go into the merits of the claims of companies reported (January 1999) that escalation/compensation of Rs.8.93 crore was to be paid as extension of time was granted by Commissioner, KHB due to delay in payment of their bills. The amount was paid (April to September 2000) by the Board with the approval of State Government.

Scrutiny of records revealed that KHB started availing the loan from March 1994 though the State Government furnished guarantee for the loan in April 1992 itself. No reasons were on record for so much delay in raising of loan.

[♣] A–Nagarjuna Construction Company-Rs.36.63 crore, B-Shirke Technical Constructions Ltd-Rs.22.66 crore

KHB did not pay the dues of Rs.6.76 crore outstanding as on 31 March 1993 though they had cash balance of Rs.19.82 crore (including a fixed deposit of Rs.4.24 crore) on that day.

Failure of KHB to make proper financial arrangement and synchronise drawal of instalments of loan from financial institutions with the progress of work/receipt of bills resulted in delay of 45 months[Ψ] for completion of flats and avoidable payment of escalation charges of Rs.8.93 crore (company A-Rs.3.43 crore, company B-Rs.5.50 crore). Further 263 flats (cost Rs.10.57 crore) had not been allotted so far (July 2001).

The above matter was referred to the Secretary to the Government in June 2001. However, no reply was received (September 2001).

URBAN DEVELOPMENT DEPARTMENT

6.7 Unnecessary payment of Central Sales Tax at higher rates

Board did not avail the concessional rate of Central Sales Tax for inter-state purchase of goods and incurred an avoidable extra expenditure of Rs.40.51 lakh

In terms of notification issued (March 1996) by State Government under Section 8A of the Karnataka Sales Tax Act, 1957, Karnataka Urban Water Supply and Drainage Board (Board) was to pay Central Sales Tax at 4 per cent on inter-state purchase of goods against declaration in Form D. Though the Board had been making inter-state purchases, there was no internal check/mechanism to ensure availment of sales tax concession. In the absence of such internal check, the Board failed to avail the benefit of prescribed concessional rate and paid Central Sales Tax at 8 to 10 per cent on the inter-state purchase of goods (iron pipes, cast iron pipes etc.) valued Rs.8.98 crore during 1998-99 and 1999-2000, which resulted in avoidable extra expenditure of Rs.40.51 lakh.

State Government stated (August 2001) that Commercial Tax Department refused to issue ‘C’ Forms to the Board on the ground that they had not paid arrears of sales tax relating to 1985-86. The reply was not tenable as issue of ‘C’ Forms cannot be denied due to non-payment of arrears of sales tax. Board should have taken up the matter with Finance Department and obtained ‘C’ Forms.

[Ψ] Construction of 3500 flats completed during December 1997

6.8 Excess expenditure in respect of deposit contribution works

Rs.3.23 crore was spent by Board beyond the deposit received for two deposit contribution works and did not realise interest of Rs.2.63 crore on such excess expenditure

Karnataka Urban Water Supply and Drainage Board (Board) had been following provisions contained in Karnataka Public Works Accounts Code (KPWAC) for executing works. In case of deposit works taken up on behalf of local bodies, the estimated expenditure should be deposited in advance by such local bodies vide Para 409 of KPWAC. Executing authorities were also to obtain prior approval of the concerned local body on whose behalf work was taken up to incur expenditure in excess of amount deposited and to charge annual interest of 12 per cent on expenditure incurred in excess of the said deposit vide Para 357 ibid. However, in respect of two works (entrusted in February 1989 and July 1989) of augmentation of water supply scheme to Mysore–Stage III executed by Executive Engineer (EE), Mysore Division of the Board on behalf of Mysore Urban Development Authority (MUDA), the amount deposited by the latter was less than estimated cost and actual expenditure as at the end of March 2001 exceeded the deposits as detailed below:

(Rupees in lakh)

Name of the work	Estimated cost	Amount deposited	Expenditure incurred to the end of March 2001	Excess	Interest due on excess expenditure
Providing boosting pumping station and raising main from Hongally to Mysore	173	50 (in 6 instalments, last in January 1996)	172.36	122.36	130.21
Augmentation of water supply from Belagola to Mysore city	362	138.67 (in 6 instalments, last in June 1998)	339.02	200.35	133.00

Though the expenditure in respect of both works exceeded the amount deposited right from March 1991, the EE did not obtain prior concurrence from MUDA for incurring the expenditure beyond deposit amount. The Board stated (September 1999) that MUDA had been requested (January 1998) to deposit further funds. Though EE reported expenditure in excess of deposit in monthly accounts, Board did not take steps to restrict expenditure to the deposit amount. Government endorsed (August 2001) the reply of Managing Director who stated that expenditure could not be restricted to deposit amount as the works once started were executed continuously in order to complete the work and ensure water supply to Mysore city. The reply was not tenable because the progress of work would not prevent them from demanding deposits for the excess expenditure. Further, Urban Development Department agreed to get deposit at Rs.25 lakh every month from MUDA for arrears and 25 per cent of tendered cost as initial deposit considering their financial constraints. MUDA, however, did not reimburse the expenditure even on monthly basis. The Board had not reported to Government failure of MUDA to reimburse the expenditure. As a result, excess expenditure of Rs.3.23 crore and interest of Rs.2.63 crore from March 1991 to March 2001 had not been realised.

6.9 Manipulation of estimate to favour a tenderer

Board accepted a tender for a water supply scheme based on the inflated and tailored estimate to bring down the tender percentage and incurred extra expenditure of Rs.3.14 crore; Board also failed to make use of PSC pipes costing Rs.44.19 lakh for the pipeline

For the Regional Water Supply Scheme to Chamarajanagar town (Scheme), the lowest tender of firm A for Rs.3.07 crore was approved for providing pipelines for raw and pure water rising mains of the Scheme for a length of 37.08 Kilometres for completion by March 1995.

As firm A did not complete the work after laying 650 metres of pipes, Karnataka Urban Water Supply and Drainage Board, Bangalore (Board) rescinded (September 1997) the contract of firm A. In response to package tenders☆ for the balance work, three tenders were received. Out of these, the tender of firm B⊗ with pre-stressed concrete (PSC) pipes for Rs.11.97 crore was the lowest. Firm B reduced (January 1998) their offer to Rs.11.60 crore (39.05 per cent above the estimated amount of Rs.8.34 crore) during negotiations.

Board observed (January 1998) that the offer of firm B was too high and that if they did not reduce the tender premium to around 25 per cent, mild steel (MS) pipes would be preferable. The firms B and C♦ had also offered rates for MS pipes. The Board authorised the Chairman, Managing Director (MD) and Chief Engineer (CE) to conduct negotiations with all the tenderers both for PSC and MS pipelines and take a suitable decision after comparing the negotiated offer with the Schedule of Rates (SR). This decision facilitated manipulation of the estimate as discussed below:

As the rate for 500 mm dia MS pipes was not sanctioned in the SR of 1997-98, the CE worked out a data rate of Rs.4468.84 per running metre for the same and on that basis computed the estimated cost at Rs.16.80⌘ crore. The tender amount of firm C with MS pipeline (Rs 14.74 crore) was, thus, lower than the revised estimated cost. The tender of firm C with MS pipeline was approved by Chairman and MD on the ground that the offer was 12.26 per cent below the estimated amount while the offer of firm B (Rs11.60 crore) was higher by 39.05 per cent for PSC pipeline. Scrutiny further revealed that :

(i) The data rate of Rs.4468.84 for MS pipes worked out by the CE was grossly out of proportion and was highly inflated as the rate sanctioned by the Board in the SR of 1998-99 for this item was Rs.2810 per metre. Thus, the value of the inflated estimate for Rs.16.80 crore was so tailored that the tender

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☆ Package tender is one in which all the components of the scheme are included and the contractor is responsible for execution of the scheme as a package including procurement of materials.

⊗ Sriram Engineering Constructions Company Limited, Chennai

♦ Subhash Projects and Marketing Limited, Bangalore

⌘ Cost of MS Pipes Rs.13.80 crore, Cost of other items Rs.3 crore percentage of firm C would come down to below 12 per cent and thus facilitate acceptance of their tender.

(ii) Even with the rate of Rs.2810 per metre (which was adopted one year later), the estimated cost of the work with MS pipeline works out to only Rs.11.68[✇] crore. The tender amount of firm C was, thus, higher by 26.20 per cent than the estimated amount and certainly not 12.26 per cent below as was contended by the Chairman and MD.

(iii) Except for the pipeline, the specification for other components of work were as per notice inviting tenders (NIT). The overall cost of these components quoted by firm C in the approved tender was also higher by Rs.25.40 lakh[⌖] as compared to firm B's offer as shown below:

(Rupees in lakh)

Particulars	Offer of firm B	Offer of firm C
I. Cost of pipeline	1017.59 (PSC pipes)	1269.23 (MS pipes)
II. Other components:		
(i) Headworks	18.82	18.85
(ii) Water treatment plant	110.81	126.37
(iii) RCC Overhead Tank	36.42	47.78
(iv) Pure water sump and pumphouse	13.25	11.70
Total II	179.30	204.70
Grand Total	1196.89	1473.93

Thus, firm C gained substantially on items other than MS pipeline also and Board failed to take cognisance of this at the time of approving the tender of firm C, resulting in an extra expenditure of Rs 3.14 crore (Rs.14.74 crore minus Rs.11.60 crore) at the award stage.

(iv) Besides, MD approved (August 1999) laying of MS pipeline (6750 metres) even in the reaches for which PSC pipes costing Rs.44.19 lakh had already been supplied by firm A. This work was also entrusted to firm C at their tendered rate of Rs.3634.70 per running metre exclusive of laying. This resulted in the cost of work unnecessarily increasing by Rs.2.45 crore while rendering the expenditure of Rs.44.19 lakh on PSC pipes fruitless.

Government stated (August 2001) that Board wanted MS pipes for this project considering the facts such as higher rate received for PSC pipes, competitive rates for MS pipes, low cost of maintenance of MS pipes etc. The reply was not tenable as Board should have invited tenders only for MS pipeline if they were so particular about MS pipeline. On the other hand, Board authorised the Chairman and MD to negotiate with the firms both for PSC and MS pipes. Even the award of the work earlier to firm A was for PSC pipe. Government further stated that while mentioning the size of MS pipes in the Schedule of Rates for 1998-99, mortar lining all round the pipe was not considered and therefore, the MS pipe of size 500 mm would correspond to 550 mm. The reply was not tenable as the rate analysis for Rs.2810 per metre of MS pipe included the cost of mortar lining all round the pipe. The decision of Chairman/MD to accept the tender of firm C based on the lower tender

[✇] Rs.16.80 crore – Rs.5.12 crore (Rs.4468.84 – Rs.2810) x 30870 metres

[⌖] Rs.204.70 crore – Rs.179.30 crore as per table percentage worked out with the inflated data rate for MS pipes was not justified.

Thus, Board's acceptance of a manipulated tender assessment on the basis of inflated data rate favoured firm C and caused an avoidable extra expenditure of Rs.3.14 crore and increased the cost of the work by another Rs.2.45 crore. The matter calls for investigation.

6.10 Long delay in power supply to a water supply scheme

Due to delay in completing the work on the feeder line, the water supply scheme to Hassan city could not be commissioned inspite of expenditure of Rs.9.86 crore

Under the comprehensive water supply scheme to Hassan city which was approved (April 1994) by State Government for Rs.8.10 crore, an additional quantity of 10 MLD of water was to be supplied over the existing supply level of 12 MLD. Karnataka Urban Water Supply and Drainage Board (Board) was to execute the water supply scheme. For pumping the existing supply of 12 MLD of water, one 125 HP Deepwell Turbine (DWT) pumpset at headworks and one 500 HP centrifugal pumpset at treatment plant were working. For pumping the additional quantity of 10 MLD, 3 more 125 HP DWT pumpsets at headworks and 500 HP centrifugal pumpsets at treatment works were necessary. Assistant Executive Engineer (Electrical), Karnataka Electricity Board (KEB), Rural sub-division, Hassan informed (September 1996) the sub-divisional officer of the Board in-charge of the water supply scheme that additional power supply to the scheme could not be provided without a separate feeder line at Board's cost. Board fixed (February 1997) agencies for supply and commissioning of the pumping machinery at headworks and treatment plant. However, the Executive Engineer (EE) of the Board Division at Hassan submitted the estimate for the feeder line only in September 1998 after a delay of 2 years. Board approved the estimate for the feeder line for Rs.27 lakh in January 1999 and awarded the work on the feeder line to a contractor in June 2001. As a result, the scheme could not be commissioned inspite of availability of pumping machinery as the work on the feeder line had not been completed (September 2001).

Thus, delay at various levels in completing the work on the feeder line and lack of monitoring of the scheme by the Board resulted in the outlay of Rs.9.86 crore on the scheme (including Rs.1.54 crore spent on pumping machinery) remaining unproductive for over two years, besides affecting the supply of additional quantity of water to Hassan city.

The matter was referred to State Government in April 2001. However, no reply had been received (September 2001).

6.11 Unnecessary and premature purchase

Chief Engineer approved purchase of pipes and collars for a Scheme seven years before fixing the agency for the work; the materials were charged to the Scheme. These led to shortage of materials which remained unrecovered for 2 to 3 years

State Government approved (July 1990) the Second Stage Underground Drainage Scheme to Gulbarga City (Scheme) at a cost of Rs.13.29 crore. After obtaining (February 1998) technical clearance from Government of India (GOI), Managing Director (MD) of Karnataka Urban Water Supply and Drainage Board (Board) approved (January 1999) the lowest tender for Rs.5.13 crore received from a company for the main components of the Scheme. However, far ahead of fixing the agency for the work, Chief Engineer (CE) of the Board approved (March 1991) purchase of reinforced cement concrete (RCC) pipes and collars costing Rs.26.90 lakh from a firm from out of the grants provided by Hyderabad-Karnataka Area Development Board for the Scheme. The cost of the pipes and collars received was charged to the Scheme during July-September 1991.

According to Karnataka Public Works Accounts and Departmental Codes which the Board was following for execution of works, the sub-divisional officer should exercise strict control over materials debited to works by obtaining Materials-at-site (MAS) accounts from the section officers concerned. Executive Engineer (EE) and Superintending Engineer (SE) were also responsible for arranging annual verification of unused balances of materials charged to works. In respect of RCC pipes and collars charged to the Scheme, the sub-divisional officers failed to obtain MAS accounts from the section officers since December 1995 and SE/EE of the Board division at Gulbarga also failed both to monitor the receipt of MAS accounts and arrange annual verification of unused balances. Besides, in the event of transfer of section officers in-charge of the Scheme during October 1993 to December 1995, the sub-divisional officers failed to verify the correctness of balances handed over by them to the new incumbents after taking into account quantities charged to the Scheme and those actually used up. As a result, shortages of pipes were detected as late as January 1999 when the agency for execution of the Scheme was fixed. After further verification/reconciliation the value of shortages of pipes was assessed (December 1999) as Rs.12.95 lakh by SE out of total purchase of Rs.26.90 lakh.

Similarly, the Store Keeper of the Board division at Gulbarga while on transfer in February 1999 did not hand over stores costing Rs.14.95 lakh to his successor. The same Store Keeper was also responsible for shortages costing Rs.8.06 lakh noticed during physical verification of stock conducted during August 1998. MD stated (January 2000) that the shortages were within the knowledge of the Board and necessary action had been taken. The reply was not tenable as Board had not taken any action against those responsible for the unnecessary and unjustified purchase of pipes and collars far ahead of requirement and also for the laxity at various levels in exercising adequate control over the materials charged to works. These lapses facilitated the shortages. Board engaged mainly in avoidable correspondence with the officials concerned which gave them opportunity for reconciliation of the shortages. As a result, shortages remained unrecovered for over 2 to 3 years.

The matter was referred to the State Government in December 1999; However, no reply had been received. (September 2001).

6.12 Construction of Outer Ring Road – Phase I in Bangalore

State Government conveyed (January 1998) approval to stand guarantee to the Bangalore Development Authority (BDA) for borrowing Rs.180 crore from Housing and Urban Development Corporation (HUDCO) and also for serving the loan through State Budget to complete the construction of Outer Ring Road (ORR) from Mysore Road to Hosur Road for a length of 48 km. BDA took up (September 1998) the first phase of the work from Tumkur Road to Hosur Road for a length of 37 km and opened the road for traffic in July 2000. Audit scrutiny of execution of the work revealed the following irregularities.

(i) BDA restricted contractors' participation and awarded the contracts at exorbitant rates

Acceptance of contracts with very high rates caused an extra expenditure of Rs.8.01 crore

BDA split up the work of construction of ORR from BEL Circle to Hosur into five packages and invited (November 1997) pre-qualification tenders for all the five packages. The estimated cost of work notified in respect of these packages ranged from Rs.3.02 crore to Rs.17.76 crore. The eligibility parameters for pre-qualification, inter alia, prescribed that the applicant should have an annual turnover of more than Rs.10 crore in the last three years and have a present net worth of not less than Rs.20 crore. This eligibility criterion was much harsher compared to the eligibility parameters fixed by Ministry of Surface Transport, Government of India (Ministry) for all road and bridge works costing above Rs.5 crore. As per the criteria set by the Ministry, the applicant should have completed similar work costing 40 per cent of the value of the work for which pre-qualification was sought, besides having liquid assets plus bank loan equal to 10 per cent of the estimated value of the contract package. Compared to this, the eligibility criterion of BDA effectively meant that the applicants should have a net worth three to six times the contract value at least in three packages. Though eight agencies pre-qualified for Package 2 to 5 and another twelve for Package 1 out of 37 applicants, only three submitted tenders for Package 4 & 5, four for Package 3, five for Package 2 and three for Package 1. The tender amount quoted for the packages was higher by 57 to 63 per cent than the estimated cost.

Even after negotiating, the revised rates were higher by 37 to 48 per cent than the estimated cost. Of the 60 tendered items, the negotiated rates for 31 items including 19 concrete items were much higher than the estimated rates and also the rates approved by BDA for similar items in other contracts for works under execution. Details of negotiated rates, estimated rates and rates approved for other works under execution for some of the important items of work were as shown in Appendix 6.2.

The technical specifications for the work in all the packages were the same as the entire work was to be executed according to the specifications prescribed by the Ministry. Yet, there were huge differences in rates for various items from package to package. BDA accepted (June 1998) the lowest negotiated tender for all the packages mainly on the ground that retendering would be time consuming and there was no scope for further reduction in the rates. However, this was not justified as in the subsequent tenders from prequalified agencies for the ORR work (April 1999) in Chainage 1.75 Km to 3.63 Km (Package 6) and Chainage 3.63 Km to 4.60 Km (Package 7) which had not been earlier included in Package 1, the tender premium of the lowest offers received and accepted was only 21 and 26 per cent respectively. The tenderer who executed the work in Package 5 was awarded Package 7. The estimate for these chainages and those for Package 1 to 5 were prepared based on the same Schedule of Rates and the eligibility criteria for pre-qualification was also the same. Thus, the ground on which BDA did not retender for Packages 1 to 5 were not justified for the following reasons:

(a) Although BDA accepted the tenders in June 1998, the agencies executed the agreement only in September/October 1998 after a delay of 3 to 4 months. Further, June-September being the monsoon period, no substantial progress could have been possible. As such, BDA had sufficient time for retendering.

(b) Before acceptance of tenders for Package 1 to 5, BDA had compared the quoted rates with those accepted by them for similar works under execution and was aware that the quoted rates were very high.

Government stated (August 2001) that in order to take up a time-bound project of large magnitude without any initial support in the form of mobilisation advance, machinery and materials, the contractors had to invest huge amounts and a contractor fulfilling the eligibility criteria prescribed by Ministry would be hardly fit to be pre-qualified. The reply was not tenable as the parameters for pre-qualification were unreasonable as they expected the contractors to have net worth more than the cost of work put to tender and at least in three packages (Packages 1, 2 and 5), the net worth requirement prescribed was more than three times the cost of work put to tender. Ministry's pre-qualification parameters were all the more relevant as the number of works costing more than Rs.5 crore executed by the Ministry every year is very large compared to that of BDA. Further, the reason regarding non-payment of mobilisation advance was also not tenable as there was no reason why it could not have been given to the contractors.

Government further stated that no similar major works were under execution when tenders for Package 1 to 5 were invited. They contended that audit comparison of the rates of Packages 1 to 5 with those for similar items in the contracts for works under execution was, therefore, not correct. They were also of the view that rates for Packages 6 and 7 for which tenders were invited in February 1999 could not be compared with those of Packages 1 to 5. The replies were not tenable as the Commissioner himself reported (May 1998) to BDA that the negotiated rates for 31 items in Packages 1 to 5 were higher than those for similar items in the contracts for the ongoing works of BDA. The estimated rates and the rates obtained for similar items of ongoing works were clear indication of very high rates quoted for Packages 1 to 5 and acceptance of these high rates despite information available was not justified.

Thus, restricted participation of contractors in the tendering process resulted in avoidable extra expenditure of Rs.8.01 crore.

(ii) Delay in completion of bridges necessitated construction of diversion roads

Avoidable expenditure of Rs.60.80 lakh on construction of diversion roads

Two Road-under-Bridges (RUBs) at Lottegollahalli (Package 1) and Doddenekundi (Package 4) became necessary for the ORR. Southern Railway took up (October 1998) construction of these RUBs on receipt of Rs.2 crore from BDA based on a rough estimate made by Railways. The RUBs were not completed even as of October 2001 due to delay on the part of BDA in handing over land to Railways for diversion of tracks. As the RUBs were not ready, BDA formed diversion roads at these places at a cost of Rs.60.80 lakh before opening the ORR for traffic in July 2000. As regards the delay, Chief Engineer, Construction, Southern Railway informed (July 2000) BDA that construction of RUBs which involved more lead time as compared to the construction of roads was given last priority and the RUBs should have been processed at least 3-4 years back. Thus, BDA's failure to provide lands for diversion tracks in time and to synchronise completion of RUBs with ORR resulted in avoidable expenditure of Rs.60.80 lakh on diversion roads.

(iii) Non-deduction of shrinkage from the quantity of embankment

Excess payment to contractors due to non-deduction of shrinkage from the quantity of embankment

As embankment inspite of being well compacted will undergo settlement for some years due to its enormous weight and rainfalls, State Government prescribed (May 1977) that in the case of earthern embankment, all payments/measurements intermediate and final shall be made subject to 2.5 per cent deduction in the quantity of embankment actually constructed. Scrutiny revealed that shrinkage had been deducted from the quantity of embankment constructed only in a few reaches of Package-2 and not in other packages. Non-deduction of shrinkage by the Executive Engineer and failure of Finance Member/Commissioner to notice this omission before approving payments resulted in excess payment of Rs.25.67 lakh to six agencies. Government stated that the levels of embankment had been measured and found to be of required level without shrinkage. It was further stated that deduction towards shrinkage was only a precautionary measure and it was mandatory to refund the same once the required level of embankment was achieved. The reply was not tenable as Government orders of May 1977 did not permit refund of the amount deducted towards shrinkage.

GENERAL

6.13 Grants

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/authorities by and large receive substantial financial assistance from Government.

Government also provides substantial financial assistance to other institutions such as those registered under the respective State and Co-operative Societies Act, Companies Act, 1956 etc., to implement certain programmes of the State Government. The grants are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

During 2000-2001, financial assistance of Rs.6451.09 crore was given to various autonomous bodies and others broadly grouped as under:

Sl. No.	Institutions	Amount of assistance given (Rupees in crore)
1.	Panchayat Samities and Zilla Panchayats	4867.29
2.	Educational Institutions (including Universities)	586.31
3.	Co-operative Societies and Cooperative Institutions	5.25
4.	Karnataka Power Transmission Corporation Limited/Housing Boards/Corporations and other Scientific Institutions	992.24
	Total	6451.09

a) Delay in submission of accounts

Detailed information for identification for audit not furnished

In order to identify the institutions which attract audit under Section 14/15 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971**,** Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions. Detailed accounts from the grantee institutions were awaited (October 2001) as indicated below:

Department-wise details are as under:

Sl. No.	Name of the Department	Years for which accounts had not been furnished	Number of accounts due
1.	Animal Husbandry and Veterinary Services	2000-2001	1
2.	Co-operation	1980-81 to 1985-86 and 1993-94 to 2000-2001	145
3.	Commerce and Industries	1980-81 to 1985-86 and 1992-93 to 2000-2001	133
4.	Education	1992-93 to 2000-2001	117
5.	Forest, Environment and Ecology	1998-99 to 2000-2001	3
6.	Health & Family Welfare Services	1998-99 to 2000-2001	11
7.	Information, Tourism and Youth Services	1988-89, 1989-90 and 1991-92 to 2000-2001	30
8.	Labour	1999-2000 and 2000-2001	2
9.	Planning	2000-2001	2
10.	Public works and CADA	1999-2000 and 2000-2001	5
11.	Rural Development and Panchayat Raj	1999-2000 and 2000-2001	2
12.	Science and Technology (State)	2000-2001	2
13	Social Welfare	1998-99 to 2000-2001	5
14.	Urban Development	1994-95 to 2000-2001	34
15.	Youth Services and Sports	1999-2000 and 2000-2001	3
	TOTAL		495

Year-wise breakup is indicated below:

Year	Number of bodies/authorities which had received substantial grants/ loans of not less than Rs.25 lakh (Rs.5 lakh prior to 1983-84)	Number of bodies/authorities from which accounts were yet to be received
Upto 1991-92	871	52
1992-93	74	5
1993-94	107	25
1994-95	127	35
1995-96	139	35
1996-97	148	36
1997-98	156	39
1998-99	205	52
1999-2000	209	74
2000-2001	215	142
Total	2251	495

(b) Status of audit of other authorities

The audit of accounts of the following bodies and authorities was entrusted by the Government to the Comptroller and Auditor General under Sections19(2), 19(3) and 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act of 1971. The position of entrustment vis-a-vis accounts received, audited and audit reports issued is as follows:

Sl. No	Name of the Body	Section under DPC Act	Period of entrustment	Date of entrust-ment	Years for which accounts due	Year upto which accounts received	Year upto which Audit Report issued
1.	Bangalore Water Supply and Sewerage Board, Bangalore	19(3)	1994-95 to 1998-99*	4.11.1995	1999-2000 and 2000-2001	1999-2000 and 2000-2001	1998-99
2.	Karnataka Slum Clearance Board, Bangalore	19(3)	1997-98 to 2001-2002	7.12.1999	2000-2001	2000-2001	1999-2000
3.	Karnataka Housing Board, Bangalore	19(3)	1996-97 to 2000-2001	9.2.2000	1999-2000 and 2000-2001	1999-2000	1996-97
4.	Karnataka State Khadi and Village Industries Board, Bangalore	19 (3)	1997-98 to 2001-2002	8.7.1998	2000-2001	1999-2000	1998-99
5.	Bangalore Development Authority, Bangalore	19(3)	1998-99 to 2002-2003	12.4.1999	2000-2001	2000-2001	1999-2000
6.	Karnataka Urban Water Supply and Drainage Board, Bangalore	19(3)	1997-98 to 2001-2002	14.10.1998	2000-2001	2000-2001	1998-99
7.	Karnataka Industrial Areas Development Board, Bangalore	19(3)	1999-2000*	-	2000-2001	1999-2000	1996-97
8.	Karnataka State Legal Service Authority	19(2)	1997-98 to 1999-2000*	-	2000-2001	1997-98 to 1999-2000	1997-98 to 1999-2000
9.	Karnataka State Electricity Regulatory Commission@	20(1)	1999-2000 and 2000-2001	-	1999-2000 and 2000-2001	1999-2000 and 2000-2001	1999-2000
10.	Chamarajendra Zoological Gardens, Mysore (Triannual Audit)	20(1)	1999-2000 to 2004-2005	7.5.2000	2000-2001	1999-2000	-

* Further entrustment awaited.
@ Transferred to Commercial Wing from 1 September 2001

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