OVERVIEW

This Report contains Seven chapters, the first two contain the observations of Audit on the Accounts of the State Government for 2000-2001 and the other five contain 4 reviews and 48 paragraphs based on the audit of certain selected schemes and programmes and financial transactions of the Government. A synopsis of the findings contained in the reviews and more important paragraphs is presented in this overview.

1. An overview of the finances of the State Government

As against revenue deficit of Rs.2325 crore in 1999-2000, the year 2000-2001 registered a decrease in deficit to Rs.1862 crore (20 per cent). This was mainly due to less revenue expenditure under various social services and general services even lower than the scaled down level of expenditure in the Revised Estimate. Had the expenditure been incurred as per the Revised Estimate, the deficit would have increased. Fiscal deficit during the year was Rs.4219 crore as against Rs.4276 crore in 1999-2000.

The aggregate of the amount received by the State Government on account of the State's share of Union Taxes, Duties and Grants-in-aid increased from Rs.2512 crore in 1996-97 to Rs.4120 crore in 2000-2001 implying an increase of 64 per cent. The amounts received from the Government of India towards revenue receipts of the State increased from 26 per cent in 1996-97 (Rs.9622 crore) to 28 per cent in 2000-2001 (Rs.14823 crore).

The Plan revenue expenditure increased during 2000-2001 to Rs.3481 crore from Rs.2992 crore during 1999-2000. Non-Plan revenue expenditure increased to Rs.13204 crore in 2000-2001 from Rs.12239 crore in 1999-2000.

As at the end of 2000-2001, the total investment in statutory corporations, Government companies etc., worked out to Rs.4215.27 crore (against Rs.2477.32 crore as at the end of 1996-97). Dividend and interest received thereon (Rs.9 crore) were negligible (0.21 per cent of investments). An amount of Rs.3294.80 crore was blocked in incomplete projects.

Public Debt of the State increased by 96 per cent from Rs.9189 crore at the end of 1996-97 to Rs.17998 crore at the end of 2000-2001. These debts amounted to 14 and 17 per cent of the GSDP of the State. The amount guaranteed by the State Government on behalf of statutory corporations, Government companies etc., outstanding as on 31 March 2001 was Rs.13004 crore.

As on 31 March 2001, a total amount of Rs.1069 crore including interest of Rs.645 crore was overdue for recovery against loans advanced to Municipalities, Panchayati Raj Institutions, Other Local Bodies, Government companies and Public Sector Undertakings etc.

During 2000-2001, 87 per cent of total receipts of the State was utilised for revenue expenditure leaving very little amount for developmental activities. Revenue expenditure exceeded the revenue receipt by Rs.1862 crore, which was met out of borrowings. Though there was an increase in State Share of Union Taxes and Duties and Grants-in-aid to the extent of Rs.569 crore, its percentage share to total revenue remained unchanged. While tax revenue constituted 61 per cent of the revenue receipts, non-tax revenue constituted 11 per cent. Revenue expenditure accounted for 90 per cent of the total expenditure of the State and increased by 10 per cent during the year and it was mainly under plan component.

Interest payments consumed 14 per cent of the revenue expenditure and there was an increase of 98 per cent in interest payments during the year over 1996-97. Twenty nine per cent of the capital expenditure under Economic Services was parked in the Public Account of the Government and was not released to the implementing agencies. This helped in Ways and Means Advances position of the Government.

Subsidies given by Government constituted 9 per cent of the revenue expenditure and was more by 24 per cent over previous year.

The Public Debt was increasing over the years and the State Government resorted to borrow funds through off budget borrowings in addition to regular borrowings to meet its plan/non-plan programmes. Almost one fourth of the borrowings was used for repayment of borrowings.

The negative BCR during 1999-2000, rose to Rs.319 crore during the year. Though the revenue deficit had declined by 20 per cent during the year, 65 per cent of the borrowings were utilised to meet the deficit. Book adjustments in the accounts were made towards payment of subsidies, transfer of infrastructure cess collected etc., without cash outflow depriving the institutions of the cash benefit. The increase in interest payments alone constituted 47 per cent of increase in expenditure under General Services during 1996-2001. The increasing trend in interest ratio over the years also indicated decrease in availability of funds for programme spending. The capital receipts were not available for investments. Borrowing to finance unproductive expenditure created self propelling indebtedness and investment in sinking public enterprises contributed to deteriorating financial position of the State. Though the capital expenditure in 2000-2001 increased by 9 per cent over the previous year, its share in the total expenditure remained at the same percentage as in the previous year. The stagnant ratio of State Taxes to GSDP indicated the States preference to meet the deficits through borrowings rather than improving tax compliance. The increasing ratio of debt to GSDP indicated reduction in Governments ability to meet its debt obligations. In addition to the market loans and loans from Central Government, the State Government tried to soften its budget constraint in a non-transparent manner through special purpose vehicles (like KBJNL) which do not have repayment capacity on their own. Thus the financial position of the State is not truly reflected in the accounts.

(Paragraph 1.1 to 1.13)

2. Appropriation Audit and control over expenditure

Against total budget provision of Rs.23320 crore (including supplementary), actual expenditure was Rs.19860 crore. Overall savings of Rs.3459 crore was the result of saving of Rs.3573 crore in 55 grants/appropriation and excess of Rs.114 crore in 11 grants/appropriations. The excess (Rs.114 crore) required regularisation by the Legislature under Article 205 of the Constitution of India.

In 79 cases involving 32 grants, supplementary provision of Rs.115.01 crore proved unnecessary.

In 22 grants, expenditure fell short of more than Rs.10 crore and also by 10 per cent of the total provision.

In 34 cases involving 13 grants, expenditure of Rs.184.86 crore which attracted the norms of "New Service/New Instrument of Service" was met without obtaining the requisite approval of Legislature.

(Paragraph 2.1 to 2.3)

3 Review of Implementation of Air (Prevention and Control of Pollution) Acts and Rules including Hazardous, Bio-medical and Municipal Solid Wastes Management.

Implementation of The Air (Prevention and Control of Pollution) Act, 1981, The Environment (Protection) Act, 1986 and rules framed thereunder and Hazardous, Bio-medical and Municipal Solid Wastes Management Rules, by State Government through Karnataka State Pollution Control Board (Board) and Commissioner for Transport and other authorities was inadequate and ineffective. Only 0.13 lakh out of total 2.70 lakh industrial units are under the purview of these Acts and Rules. Ambient Air Quality Monitoring Stations were confined to only two cities (Bangalore and Mysore). Board had not established air quality monitoring stations in other cities though funds were available. Due to lack of adequate monitoring stations, analysis of air samples by the Regional Offices was inadequate. Analysis of emission from industries was only marginal. Particles generated by stone crushing units were not analysed at all. Automobiles contributed to air pollution on a large scale (2357.92 MT per day in Bangalore city and 6116.49 MT for the State). The Commissioner for Transport, however, did not monitor implementation of this component. In 3 districts, no inspection of vehicles was carried out by Regional Transport Officers. Board had no information about the quantity of bio-medical and hazardous waste generated and its disposal by 50 per cent of health care establishments and industries.

Board had not identified/covered 95 per cent of industries registered with Department of Industries and Commerce. Out of 0.13 lakh industries identified, 7420 were in operation as of March 2001. Of these, 2623 and 605 industries respectively were working without consent and Air Pollution Control Systems, in violation of Acts/Rules and 2308 had not even applied for consent. Diesel Generator sets and Stone crushers had not been brought under the purview of Acts/Rules.

Shortfall in Ambient Air Quality test ranged from 61 to 29 per cent of targets in Bangalore and Mysore and in five locations, pollutants exceeded the prescribed standards by 19 to 846 per cent. In other cities, Ambient Air Quality Monitoring Stations had not been established.

Emission from industrial units was not analysed to the extent of 96 to 89 per cent. Particles generated by stone crushers had not been analysed at all, though they caused significant pollution through Suspended Particulate Matter (SPM).

Shortfall in inspection of industries by the Board increased sharply from 15 per cent in 1998-99 to 54 per cent in 2000-01.

State Government had not categorised areas into industrial, residential and silence areas.

2589 health care establishments (77 per cent of the total establishments) and 466 other units generating bio-medical and hazardous waste were operating without authorisation from the Board. Board was not aware of quantity of waste generated and manner of its storage and disposal.

Board had not monitored compliance with Municipal Solid Wastes (Management and Handling) Rules, 1999 by Municipalities and none of 219 Municipalities had obtained authorisation for processing and disposal of municipal solid waste.

Regional Transport Officers in three test-checked districts did not monitor vehicular emission.

6233 out of 6762 units (6284 industries, 478 hazardous waste generating units) had not submitted environmental statements.

(Paragraph 3.1)

4. NABARD Assisted Major and Medium Irrigation Projects

Government of Karnataka posed six major and medium irrigation projects for a total value of Rs.348.49 crore for assistance from NABARD in 1995-96. Execution of these projects was reviewed in audit. Review brought out that the Departmental Officers and the Government failed to ensure proper initial investigation, planning, effective execution, proper co-ordination and financial discipline in the execution of NABARD assisted irrigation projects. This led to large scale irregularities, huge wasteful expenditure on works and purchases, avoidable extra cost, unintended benefit to contractors and unwarranted delay in execution of works. Consequently, no benefit flowed except marginally from one project though Rs.537.54 crore were spent on six projects. The monitoring committees did not monitor timely completion of projects and prevention of wasteful expenditure.

Six projects started up to 1979 are yet to be completed though there was no lack of sufficient funds since 1995-96. Since these were posed to NABARD in 1995-96, cost escalation in the projects ranged up to 380 per cent. The excess expenditure reduced the Benefit Cost Ratio of these projects to less than the minimum of 1.5 prescribed for irrigation projects. In most of the projects, crucial components have not been executed and as a result, Rs.494.06 crore spent on five projects up to March 2001 did not result in creation of any irrigation potential. In one project, only 31 per cent of the targeted potential was created.

Direct entrustment of work of spillway in Chulkinala and Maskinala Projects to Karnataka State Construction Corporation Limited (KSCC) without inviting tenders resulted in extra expenditure of Rs.2.90 crore and delay of 12 years.

Various lapses and delays by the Department resulted in extension of the periods of contracts and payment of enhanced rates to the contractors at an extra expenditure of Rs.7.18 crore.

Improper planning and defective execution of canals resulted in extensive damages to canals and Rs.5.54 crore was to be spent on their restoration.

Improper decision of the Chief Engineer to shift only a portion of one fully affected village of Chulkinala Project and later deciding to shift the entire village resulted in extra expenditure of Rs.88.23 lakh due to higher compensation and rendered the expenditure of Rs.2.71 crore on the Rehabilitation Centre unfruitful.

MS Gates worth Rs.71 lakh transferred from Bennithora Project (BTP) to Lower Mullamari Project (LMP) was not accounted for in the accounts of the Sub-divisional Officer of LMP.

Superintending Engineer of Votehole Project decided to use higher grade of concrete for lining works causing wasteful expenditure of Rs.1.04 crore.

The Divisional Officers of four projects unnecessarily purchased MS gates and other materials in violation of rules and procedures and without routing them through SPD resulting in wasteful expenditure of Rs.12.94 crore and excess payment of Rs.8.05 crore.

Chief Engineers (CE), Superintendent Engineers (SE) of concerned projects and CE/SE, Monitoring and Evaluation, Bangalore did not effectively supervise, monitor and evaluate the projects and on the other hand, facilitated unnecessary purchase of huge material and financial indiscipline. The High level Monitoring Committee engaged themselves in financing arrangements though the projects floundered and public funds were wasted.

Chief Engineers increased the heights of the dams in Bennithora and Lower Mullamari Projects after construction of the embankments which resulted in avoidable excess works, causing wasteful expenditure of Rs.0.93 crore.

(Paragraph 4.1)

5. Working of Water Resources Department

The Water Resources Department is entrusted with execution of major and medium irrigation projects in the State of Karnataka. The Department has serious weakness in the financial and programme management and control areas. Budgeting and cash management through the letter of credit system was ineffective. Large number of major and medium projects were taken up without adequate financial support or monitoring. These projects are languishing for several years while huge investments remained unproductive. Similarly, lift irrigation schemes taken up at substantial cost are also lying incomplete in large numbers. Financial indiscipline, irregularities in execution of the works, unsatisfactory human resource management, inefficiency and wastage in stores purchase and management of stores affected the working of the Department. Though 32 major and 77 medium irrigation projects were taken up to create 29.62 lakh hectares of irrigation potential , only 59 per cent of the targeted irrigation potential could be created till now.

Budget provision made for new schemes during 2000-2001 did not include modernisation of Vijayanagar channels, for which Letter of Credit was released by the Finance Department and an expenditure of Rs.1.40 crore was incurred.

As at the end of March 2001, bills to an extent of Rs.131.30 crore remained unpaid to various contractors and suppliers.

Expenditure amounting to Rs.710.70 crore was incurred in excess of the original sanctioned estimates, contrary to the instructions issued by Government.

Out of the Letter of Credit issued by the Finance Department, Secretary, Water Resources Department and Chief Engineers unauthorisedly reserved 3 per cent and 2 per cent respectively for urgent payments to contractors. Chief Engineers further reserved a part of the letter of credit for payments to contractors recommended by Members of Parliament and the District Minister. This system was vulnerable to misuse and would encourage malpractice.

Rs.1.30 crore was released to Ambligola Project through letter of credit, even though no provision was made in the Budget grant.

Three out of thirteen controlling officers did not reconcile the expenditure incurred by the Divisional Officers under their control for 4 to 12 months during 1999-2001.

Taking up of new projects for execution when the old projects were lingering resulted in distribution of the available resources thinly on too many projects. This led to delay in completion of projects, escalation in cost and postponement of benefits.

The construction of pick-up dam across Varahi River was not taken up till date, despite expenditure of Rs.7.64 crore on survey and other works.

Ten on-going Lift Irrigation Schemes taken up between 1987 and 1997 by the Department to create irrigation potential of 78701 acres, remained incomplete even after incurring an expenditure of Rs.67.69 crore. Delay in completion of these schemes ranged up to 13 years in some cases.

Improper planning led to overlapping of command area in two projects and an outlay of Rs.1.38 crore incurred up to December 1994 remained unfruitful.

Shortfall in collection of water rate of Rs.81.03 crore rendered the working of eight irrigation projects uneconomical.

Water charges valued at Rs.32.29 crore for the period from 1975 to 2001 due from ten industries/municipal bodies were not recovered by the Department.

Non-stacking of 549872 cum of excavated hard rock valued Rs.4.05 crore in three divisions resulted in loss of revenue to Government.

Rs.8.30 crore being pro-rata expenditure incurred on Rajolibanda diversion scheme by the Government of Karnataka between 1956 and 1997 remained unrecovered from Government of Andhra Pradesh.

In Hemavathy Project Zone, 943 persons were working on supernumerary non-technical cadre as against the requirement of 399. The Chief Engineer did not take action for transferring the surplus staff to whom pay and allowances of Rs.4.87 crore were paid during 1998-2001.

(Paragraph 4.2)

6. Drinking Water Supply

(A) 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.

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

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 ARWSP funds.

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.

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

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.

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.

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.

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.

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.

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.

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.

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.

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)

(B) 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.

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.

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.

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 survey was conducted before selection of towns.

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)

7. Non-achievement of objectives

Sri D.Devaraj Urs Research Institute, Bangalore, established in March 1992, did not turn out any tangible work since inception, resulting in unproductive expenditure of Rs.70.80 lakh on pay and allowances of staff.

(Paragraph 3.15)

8. Extra contractual payments/avoidable extra expenditure

Failure of State Government/Director, Animal Husbandry and Veterinary Services, Bangalore to recommend eligible poultry co-operative societies to National Co-operative Development Corporation for loan assistance, lack of monitoring of the utilisation of loan/refund of unutilised loan and delay in repayment of loan instalments resulted in avoidable financial burden of Rs.34.47 lakh.

(Paragraph 3.2)

Unwarranted cancellation of tenders and undue delay in finalisation of tenders for the work of construction of a minor irrigation tank in Bidar district resulted in avoidable extra liability of Rs.65.57 lakh due to retender.

(Paragraph 4.5)

Failure of National Highways Department in relocating the utilities before entrusting the work on Bangalore-Hosur road to a construction company resulted in avoidable payment of compensation of Rs.6 crore.

(Paragraph 4.14)

Chief Executive Officer and Executive Member/Chief Development Officer of the Karnataka Industrial Areas Development Board failed to enforce the contractual provisions while executing the work of site gradation and leveling of the land allotted to Toyota Kirloskar Motors Private Limited, Bangalore. The lapses facilitated excess payments and undue favours aggregating Rs.17.97 crore to the contractor and caused huge financial loss to the Board.

(Paragraph 6.3)

Karnataka Housing Board failed to make proper financial arrangements and synchronise drawal of loan instalments from financial institutions with the progress of work, resulting in delayed completion of flats and avoidable payment of escalation charges of Rs.8.93 crore to two construction companies.

(Paragraph 6.6)

Bangalore Development Authority restricted contractors participation in the tendering process for construction of Outer Ring Road, Phase I in Bangalore and awarded the contracts at exorbitant rates, resulting in avoidable extra expenditure of Rs.8.01 crore. Failure to synchronise completion of two Road-under-Bridges with that of the Outer Ring Road resulted in avoidable expenditure of Rs.60.80 lakh on diversion roads.

(Paragraph 6.12)

9. Wasteful expenditure/financial loss

Director, Mines and Geology, Bangalore flouted all prescribed rules and compromised tender proceedings to avoid competitive rates for executing interior decoration works which resulted in avoidable extra expenditure of Rs.1.16 crore.

(Paragraph 3.5)

Director, Printing, Stationery and Publications, Bangalore appointed 415 daily rated workers in disregard of Government instructions. Government's failure to monitor such illegal and unauthorised appointments necessitated wasteful expenditure of Rs.6.30 crore on wages paid to these appointees.

(Paragraph 3.6)

In executing protection work against sea erosion in Kotepura, the Minor Irrigation Department did not adhere to approved design and failed to take remedial measures during the initial phase of work. The structure collapsed in the monsoon of 2000 and the expenditure of Rs.74.42 lakh was totally wasted.

(Paragraph 4.4)

A bridge planned across Tungabhardra river flowing through two heritage sites without consideration of its impact on these sites led to intervention by UNESCO and stoppage of work and consequent wasteful expenditure of Rs.3.75 crore

(Paragraph 4.12)

Failure of Chief Executive Officer and Executive Member of the Karnataka Industrial Areas Development Board 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.

(Paragraph 6.2)

Director, Sri Jayadeva Institute of Cardiology, Bangalore drew loan from HUDCO ahead of requirement and invested it in short term fixed deposits. In the process, he paid avoidable interest of Rs.1.07 crore to HUDCO on such loan.

(Paragraph 6.5)

10. Unnecessary purchases in disregard of prescribed procedure

Government favoured a vendor by purchasing computer hardware at higher rates at an extra expenditure of Rs.49.56 lakh.

(Paragraph 3.14)

Trusses and GI sheets purchased for construction of transit camps in Karanja Project far in advance of requirement, bypassing the normal tender procedure, resulted in blocking up of Rs.71.60 lakh while the camps were not constructed in two years.

(Paragraph 4.16)

Executive Engineer, Minor Irrigation Division, Bidar unnecessarily purchased MS fabricated gates costing Rs.4.69 crore while these would cost only Rs.0.90 crore.

(Paragraph 5.1)

Three Minor Irrigation Divisions unnecessarily purchased sponge rubber, perforated PVC pipes and pressure relief valves at exorbitant rates violating the prescribed procedure and incurred an avoidable expenditure of Rs.68.28 lakh.

(Paragraph 5.2)

In Karanja Project, three Divisional Officers unnecessarily purchased huge number of MS outlet gates which were not required at all costing Rs.5.34 crore during April 1998 to October 2000 from 92 firms. They also misused funds by purchasing MS Diversion and MS Outlet gates at higher rates, resulting in extra cost of Rs.10.44 crore.

(Paragraph 5.3)

11. Unfruitful outlay

Construction of a tourist complex within Nagarahole National Park without permission from Government of India resulted in unfruitful expenditure of Rs.1.84 crore.

(Paragraph 3.11)

Chief Engineer, Minor Irrigation (North), Bijapur arranged for unnecessary purchase of pumps and motors at a cost of Rs.2.51 crore for 12 lift irrigation schemes. These were lying unused for two years.

(Paragraph 4.3)

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.

(Paragraph 6.10)

12. Fraud and misappropriation

Director of Treasuries approved fraudulent refund of Rs.5.31 lakh and excess/inadmissible refund of Rs.11.30 lakh. The fraud was made possible due to the syndicated operation of Assistant Treasury Officer, Joint Director and Director of Treasuries in effecting refunds against fictitious credits.

(Paragraph 3.8)

Superintending Engineer, Irrigation Project, Construction Circle, Gulbarga and Executive Engineer, Irrigation Project, Construction Division No.2, Korahalli failed to follow codal provisions and exercise proper checks. This resulted in misappropriation of Rs.96.09 lakh by a First Division Assistant during 1988-2001. Collusion of Sub-treasury Officer in the fraud was a strong possibility.

(Paragraph 4.15)

13. Excess payment

Some of the major deficiencies noticed during inspection of treasuries were: (i) Excess payment of family pension to the tune of Rs.81.93 lakh in 508 cases, (ii) Undisbursed money orders in respect of old age, physically handicapped and destitute widow pensions were not claimed in 3 districts by the Treasuries and (iii) In two Treasuries, old age, physically handicapped and destitute widow pensions aggregating Rs.33.75 lakh were continued to be released in 495 cases even after receipt of report of death of the beneficiaries from the post offices.

(Paragraph 3.10)

14. Non-utilisation of funds

A review of the operation of Personal Deposit Accounts by the Heads of six departments indicated several irregularities. Some of the findings were (i) Surplus of Rs.1.49 crore generated in sericulture model grainages over and above the working capital had not been credited to Government Account. (ii) Karnataka Urban Infrastructure Development and Finance Corporation drew Rs.107.80 crore from the Personal Deposit Account and invested it in fixed deposits for five years without utilisation. (ii) Seven administrators diverted funds of Rs.5.95 crore from the Personal Deposit Accounts for purposes other than those for which they were meant.

(Paragraph 3.9)

15. Lack of responsiveness of Government to audit

This Audit Report contains 48 Audit paragraphs and 4 Audit Reviews apart from comments on the Finance and Appropriation Accounts. As per existing arrangement, copies of the draft Audit Paragraphs and draft Audit Reviews are sent to the concerned Secretary to the State Government by the Principal Accountant General/Accountant General, demi-officially with a request to furnish replies within 6 weeks. The Secretaries are also reminded demi-officially by the Accountant General for replies. However, despite such efforts, in 37 Audit Paragraphs out of the total 48 and in all the 4 Reviews, no responses were received from the concerned Secretaries of the State Government.

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