

OVERVIEW

This report contains five chapters of which the first two contain the observations on the accounts of the State Government for 2003-04 and the other three contain audit comments in the form of four reviews, two long paragraphs and 28 paragraphs on selected schemes, programmes and financial transactions of the Government. A synopsis of the findings contained in the reviews and more important paragraphs is presented in the overview.

I. Finances of the State Government

Revenue receipts of the Government increased by 61 *per cent* from Rs.12,906 crore in 1999-2000 to Rs.20,760 crore in 2003-04. The share of tax revenue (Rs.12,570 crore) and non-tax revenue (Rs.2,958 crore) in total revenue receipts was 61 and 14 *per cent* respectively in 2003-04. Central Tax transfers and grants-in-aid contributed 25 *per cent* of the total revenue receipts.

Arrears of revenue increased by 70 *per cent* since 1999-2000 and aggregated Rs.3,104 crore as of March 2004. Of this, Rs.781 crore (25 *per cent*) were outstanding for more than five years indicating unsatisfactory tax compliance.

Total expenditure of the Government increased from Rs.17,327 crore in 1999-2000 to Rs.25,325 crore in 2003-04 (increase: 46 *per cent*).

Revenue expenditure increased by 40 *per cent* from Rs.15,231 crore in 1999-2000 to Rs.21,285 crore in 2003-04. Committed expenditure on salaries and pension increased from Rs.6,115 crore to Rs.7,265 crore during the period.

Interest payments increased by 84 *per cent* from Rs.2,012 crore in 1999-2000 to Rs.3,710 crore in 2003-04 and consumed 18 *per cent* of revenue receipts.

For the year 2003-04 the revenue deficit was Rs.524.83 crore compared to Rs.2,645.74 crore in 2002-03. The fall in revenue deficit was due to healthy growth of revenue receipts compared to previous year as also due to postponement of payments of electricity dues on irrigation pumpsets (Rs.600 crore) and non-transfer of grants (Rs.381 crore) received for Calamity Relief Fund to Public Account.

Fiscal deficit for 2003-04 was Rs.4,501 crore lower by Rs.781 crore (15 *per cent*) than the preceding year.

Outstanding fiscal liabilities of the State increased from Rs.22,287 crore at the end of 1999-2000 to Rs.41,967 crore at the end of 2003-04 excluding off-budget borrowings of Rs.8,614 crore. The amount guaranteed by the State Government on behalf of Statutory Corporations, Government Companies, etc., and outstanding was Rs.14,179 crore as on 31 March 2004.

As at the end of 2003-04, the total investment in Statutory Corporations, Government Companies, etc., was Rs.7,984.19 crore. Returns thereon were negligible (Rs.18 crore).

Assistance to different bodies/authorities increased by 33 per cent from Rs.5,847 crore in 1999-2000 to Rs.7,780 crore in 2003-04.

(Paragraphs 1.1 to 1.10)

II. Allocative Priorities and Appropriation

Against total budget provision of Rs.37,105.48 crore (including supplementary grants), actual expenditure was Rs.34,853.75 crore. Overall saving of Rs.2,251.73 crore was the result of saving of Rs.5,069.55 crore in 28 grants/appropriation and excess of Rs.2,817.82 crore in seven grants/appropriation. The excess of Rs.2,817.82 crore required regularisation by the Legislature under Article 205 of the Constitution of India.

In 13 grants involving 15 detailed heads, supplementary provision of Rs.303.98 crore proved unnecessary.

Out of total saving of Rs.4,747.97 crore under 27 grants/appropriations, only Rs.1,022.71 crore were surrendered and that too on the last working day of the financial year.

Forty two re-appropriation orders for Rs.25.56 crore were not considered in accounts as these either exceeded the power to sanction, involved items of new service or were not signed by the competent authority or not approved by the Finance Department. In 37 cases (six grants), expenditure of Rs.71.33 crore was incurred without provision.

In 56 cases (10 grants), expenditure of Rs.594.03 crore which attracted the norms of 'New Service/New Instrument of Service' was met without obtaining requisite approval of Legislature.

Out of 154 Chief Controlling Officers, 21 Officers did not reconcile 22 per cent (Rs.5,444.56 crore) of the expenditure incurred by them. Six officers reconciled it partly (unreconciled amount: Rs.81.53 crore) and seven more did not reconcile the disbursement of loans and advances of Rs.170.11 crore.

(Paragraphs 2.1 to 2.7)

III. Performance Reviews

1. 'Mahithi' – The Millennium Policy for Information Technology and Bio-technology - 2000

The Policy envisaged programmes for spreading Information Technology and Bio-technology to rural areas and creation of infrastructure and offering tax concessions to attract software entrepreneurs. Some of the major deficiencies noticed in programme implementation are as follows:

- Out of 9.11 lakh students enrolled in selected high schools, 5.35 lakh students received computer education for one to two hours only as against prescribed three hours per student per week and 1.78 lakh students were completely deprived of the benefit. This resulted in wasteful expenditure of Rs.29 crore.
- There were lapses like non-selection of candidates from BPL list, deficiencies in inspection, non-evaluation of all centres, failure to upload bio-data of candidates on departmental website.
- Infrastructure facility (Software Technology Park at Hubli) established at a cost of Rs.32.26 crore had not been made available to software entrepreneurs while land purchased at a cost of Rs.13.96 crore for establishing Bio-tech park had not been developed.
- Four companies engaged in Information Technology Enabled Services were granted tax exemption of Rs.1.03 crore though these were not eligible.

(Paragraph 3.1)

2. Implementation of Child Labour (Prohibition and Regulation) Act, 1986

Child Labour (Prohibition and Regulation) Act, 1986 besides enforcement measures envisaged rehabilitation of children below the age of 14 years. Some of the important findings on implementation of the provisions of the Act are as follows:

- Data on identification of child labour was grossly understated.
- Implementation of regulatory and prohibitory functions was ineffective due to huge shortfall in inspections and registration of cases against offending employers. There were instances of acquitting the offending employers due to non-production of proof of age of the child labour.
- Rehabilitation programmes were inadequate as 60 *per cent* of identified child labour had not been rehabilitated, recovery of compensation from offending employers was a meagre 0.3 *per cent* of the recoverable amount and several significant features of the State Action Plan were not implemented.

(Paragraph 3.2)

3. Working of Minor Irrigation Projects

The Minor Irrigation Department which is to provide irrigation to command areas up to 2,000 hectares through minor irrigation tanks and lift irrigation schemes had created irrigation potential of 6.23 lakh hectares as at the end of March 2004. Some of the important findings are as follows:

- Limited resources were scattered over a large number of new works without prioritising projects and ensuring provision of adequate funds for completing ongoing projects, which were lingering for five to 15 years. Out of 325 ongoing projects only 191 were completed leaving 134 projects incomplete as of March 2004 as a result of which investment of Rs.35.37 crore made on them did not fructify.
- Against a target of completing 242 projects with NABARD assistance by March 2004, only 105 projects were completed after delays ranging from three to 71 months involving a cost overrun of Rs.26.37 crore.
- Due to inadequate investigation, injudicious diversion of project funds, delay/non-acquisition of lands, *etc.*, there was wasteful/unfruitful and excess expenditure of Rs.41.01 crore.
- Percentage shortfall in utilisation of irrigation potential ranged between 71 and 92 during 1999-2000 to 2003-04 due to inadequate power supply, silting of canals, aged pumping machinery, non/partial completion of canals, improper location of tanks, *etc.*
- The unplanned execution of 57 new tank works during 1999-2003 at a cost of Rs.125.82 crore proved largely unproductive due to poor utilisation of their irrigation potential.

(Paragraph 3.3)

4. Internal Control System in the Department of Prisons

The main functions of the Department of Prisons were admission, custody and security of prisoners and their rehabilitation. The Karnataka Prisons Act and Rules prescribe various internal controls to perform these functions effectively. However, there were instances of non-compliance with provisions of the Act/Rules and lapses.

- Prison authorities did not submit to courts monthly statements of under-trial prisoners awaiting trial for more than three months and eligible for bail.
- Escape of a few prisoners from custody was indicative of lapses in security measures.
- Board of Visitors who were to inspect prisons and ensure compliance with rules and procedures was not constituted in test-checked prisons.
- There was congestion of prisoners in some prisons due to insufficient accommodation and inaction of the prison administration to transfer prisoners from over-crowded prisons to others.

(Paragraph 5.1)

5. Working of the Government Film and Television Institute, Hesaraghatta

The Government established (June 1998) the Institute of Film and Television at Hesaraghatta, Bangalore with the objective of imparting education in Cinematography and Sound Recording Engineering and also generating income by hiring out the studios. The infrastructure (studios and equipment) costing Rs.6.63 crore was not put to use and income generated was meagre. The Government did not permit hiring of equipment and thereby lost substantial potential income. In the absence of placement service, shortfall in the intake of students ranged from 27 to 61 *per cent* in Cinematography while the same was 80 to 97 *per cent* in Sound Recording Engineering.

(Paragraph 3.4)

6. Stores procurement in Minor Irrigation Department

Stores materials such as steel, cement, sponge rubber, pipes, pressure relief valves, *etc.*, costing Rs.8.21 crore were purchased by 11 Minor Irrigation Divisions during the period 1999-2004. The Divisional officers procured the stores material by splitting up purchase orders to avoid sanction of competent authority and kept them outside the Divisional stock account by debiting their cost to works for which funds were available. The material was purchased on local quotation basis resulting in purchases at higher rates involving an avoidable expenditure of Rs.1.28 crore. Maintenance of material-at-site accounts was also not satisfactory.

(Paragraph 3.5)

IV. Audit of transactions

Misappropriation/losses

Failure of the Commerce and Industries Department/Government to comply with terms and conditions while releasing loan assistance to Coir Industrial Product Co-operative Society Limited and initiate action on the asset valuation report led to a situation whereby misuse of Rs.4.69 crore by the Society could not be ruled out.

(Paragraph 4.1.1)

Non-maintenance of proper accounts and non-reconciliation of user charges with the bank in Bowring and Lady Curzon Hospital, Bangalore resulted in misappropriation of Rs.25.22 lakh.

(Paragraph 4.1.2)

Improper assessment of demand for tertiary treated sewage water during project planning and failure to execute necessary agreement with potential buyers by Bangalore Water Supply and Sewerage Board resulted in loss of Rs.10.88 crore.

(Paragraph 4.1.3)

Infructuous/wasteful expenditure and overpayment

Additional market value beyond the date of declaration of land award by Special Land Acquisition Officer, National Highways, Bangalore was paid in violation of the provisions of the Land Acquisition Act, resulting in excess payment of Rs.58.86 lakh.

(Paragraph 4.2.2)

Violation of contractual obligations/undue favour to contractors

Failure of the Ports and Inland Water Transport Department in the construction of Breakwater at Karwar seaport to regulate payments to the contractor as per the conditions of contract and in accordance with the Departmental Schedule of Rates resulted in excess payment of Rs.2.35 crore.

(Paragraph 4.3.1)

In respect of National Highways Division, Mangalore, delay in providing approved drawings to the contractor and injudicious extension of time resulted in an avoidable extra expenditure of Rs.52.17 lakh.

(Paragraph 4.3.3)

Failure of Karnataka Residential Educational Institutions Society to enforce contractual terms resulted in undue gains to construction agencies and extra expenditure of Rs.79.64 lakh.

(Paragraph 4.3.4)

Avoidable/extra/unfruitful expenditure

The Director General & Inspector General of Police, Karnataka, Bangalore injudiciously purchased costly polycarbonate lathis in place of cheaper cane lathis from two private firms resulting in avoidable extra expenditure of Rs.89.46 lakh.

(Paragraph 4.4.3)

Karnataka Housing Board could not market 999 houses/tenements in Hootagally, Mysore City due to construction of houses in excess of assessed demand resulting in unfruitful investment of borrowed funds of Rs.25.03 crore with interest liability of Rs.13.97 crore. Similarly, in 76 other towns/cities, 1,777 houses/tenements and 2,039 sites involving investment of borrowed funds of Rs.51.91 crore had also remained un-allotted.

(Paragraph 4.4.4)

Failure of Karnataka Urban Water Supply and Drainage Board to detect the defective execution of work by a Government agency and non-maintenance of work for five years resulted in collapse of a portion of bund and avoidable extra expenditure of Rs.2.10 crore on its reconstruction.

(Paragraph 4.4.6)

Lack of firm decision of the Government/Karnataka Urban Water Supply and Drainage Board regarding selection of the water source for a water supply scheme resulted in time overrun of over 12 years and cost overrun of Rs.7.47 crore, besides rendering the expenditure of Rs.13.86 crore on the scheme unfruitful.

(Paragraph 4.4.7)

Inordinate delay in furnishing land acquisition proposals for construction of Devarabelekere dam in Davanagere district and the injudicious action of the Water Resources Department to pay interest on land compensation without taking possession of lands resulted in an avoidable expenditure of Rs.75.17 lakh and excess payment of Rs.83.09 lakh.

(Paragraph 4.4.8)

Failure of the Port and Inland Water Transport Department to execute the work of providing fish landing and berthing facilities without ensuring flow of water in the river as advised by the experts and delay in construction of bridge work led to unproductive outlay of Rs.1.36 crore.

(Paragraph 4.4.9)

Inadequate soil investigation and delay in acquisition of land by Minor Irrigation Division, Bijapur rendered the outlay of Rs.2.60 crore unfruitful.

(Paragraph 4.4.11)

Idle investment/idle establishment/blockage of funds

Heparin-induced Extra Corporeal Low-density Lipoprotein Precipitation System purchased at a cost of Rs.61 lakh remained unutilised since February 2000 in Bowring and Lady Curzon Hospital, Bangalore due to high cost of consumables and accessories required for use of the equipment.

(Paragraph 4.5.1)

Due to lack of proper planning in purchase and operationalisation of Blood Cell Separator, the equipment remained unused for four years in Victoria Hospital, Bangalore and Krishnarajendra Hospital, Mysore, rendering expenditure of Rs.1.03 crore thereon unfruitful.

(Paragraph 4.5.2)

Regularity issues and other points

Public Sector Banks made excess payment of family pension of Rs.1.25 crore in 701 cases as of February 2004.

(Paragraph 4.6.1)

