PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. Chapter-1 of this report indicates auditee profile, authority for audit, planning and conduct of audit, organisational structure of office of the Principal Accountant General (C&CA) and response of the Departments to the draft paragraphs. Highlights of audit observations included in this report have also been brought out in this Chapter.

3. Chapter-2 deals with the findings of performance audit while Chapter-3 covers audit of transactions in various departments including the Public Works and Water Resources Departments, Autonomous Bodies, *etc.,* Chapter-4 comments on Internal Control System prevailing in a selected Government department.

4. The Reports containing points arising from audit of the financial transactions relating to Zilla Panchayats, Statutory Corporations & Government Companies and Revenue Receipts are presented separately.

5. The cases mentioned in the Report are among those which came to notice in the course of test-audit of accounts during the year 2008-09 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the periods subsequent to 2008-09 have also been included, wherever necessary.

Chapter 1

Introduction

1.1 About this Report

This report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Government departments and autonomous bodies.

Compliance audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. On the other hand performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/activity/department are achieved economically and efficiently.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow up on previous Audit Reports. Chapter-2 of this report contains findings arising out of performance audit of selected programmes/activities/departments. Chapter-3 contains observations on audit of transactions in Government departments and autonomous bodies. Chapter-4 presents an assessment of internal controls in the Public Works Department.

1.2 Auditee Profile

There are 74 departments in the State at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners and subordinate officers under them and eight autonomous bodies which are audited by the Principal Accountant General (C&CA), Bangalore and the Accountant General (WF&RA), Bangalore.

The comparative position of expenditure incurred by the Government during the year 2008-09 and in the preceding two years is given in Table below.

Table 1: Comparative position of expenditure

(Rupees in crore)

Disbursements	2006-07			2007-08			2008-09		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
Revenue expenditure									
General services	76	10,343	10,419	86	10,786	10,872	110	12,165	12,275
Social services	4,208	6,729	10,937	4,784	8,340	13,124	5,925	9,948	15,873
Economic services	3,539	6,901	10,440	3,443	8,010	11,453	3,699	7,438	11,137
Grants-in-aid and contributions	29	1,610	1,639	-	1,926	1,926	796	1,578	2,374
Total	**7,852**	**25,583**	**33,435**	**8,313**	**29,062**	**37,375**	**10,530**	**31,129**	**41,659**
Capital Expenditure									
Capital outlay	8,411	132	8,543	7,199	1,450	8,649	9,135	735	9,870
Loans and advances disbursed	306	51	357	752	5	757	223	508	731
Repayment of public debt (including transactions under ways and means advances)	-	1,749	1,749	-	1,329	1,329	-	1,778	1,778
Contingency fund	-	-	13	-	-	-	-	2	2
Public account disbursements	-	-	42,637	-	-	54,055	-	-	54,783
Total	**8,717**	**1,932**	**53,299**	**7,951**	**2,784**	**64,790**	**9,358**	**3,023**	**67,164**
Grand Total	**16,569**	**27,515**	**86,734**	**16,264**	**31,846**	**1,02,165**	**19,888**	**34,152**	**1,08,823**

1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of the Departments of Government of Karnataka under Section 13[1] of the C&AG's (DPC) Act. C&AG is the sole auditor in respect of eight autonomous bodies which are audited under sections 19(2)[2] and 20(1)[3] of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of 274 other autonomous bodies, under Section 14[4] of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

[1] Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts

[2] Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations

[3] Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government

[4] Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than Rs one crore.

1.4 Organisational structure of the Office of the Principal Accountant General (C&CA) and Accountant General (WF&RA), Bangalore

Under the directions of the C&AG, the Office of the Principal Accountant General (C&CA)/Accountant General (WF&RA), Bangalore conducts audit of Government Departments/Offices/Autonomous Bodies/Institutions under them which are spread all over the State. The Principal Accountant General and Accountant General are assisted by seven Group Officers.

1.5 Planning and conduct of Audit

Audit process starts with the assessment of risk faced by various Departments of Government and also based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the department. The departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection reports are processed for inclusion in the Audit Reports which are submitted to the Governor of State under Article 151 of the Constitution of India.

During 2008-09, in the Civil Audit Wing, 7,894 party-days were used to carry out audit of 582 units and to conduct two performance audit reviews. In the Works and Forest wing 112 units were audited by utilising 3,640 party-days. The audit plan covered those units/entities which were vulnerable to significant risk as per our assessment.

1.6 Significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations were also reported.

1.6.1 Performance audits of programmes/activities/department

The present report contains two performance audits, one long paragraph and an assessment of internal controls in Public Works Department. The highlights of the performance audits are given in the following paragraphs.

1.6.1.1 Public Distribution System in Karnataka

Public Distribution system is vital to the Government policy of ensuring availability of adequate food grains to the public at affordable price as well as enhancing food security to the poor.

The performance audit noted the failure to follow Government of India guidelines to identify the families living below poverty line resulting in inclusion of 75.40 lakh extra families in the BPL list over and above 31.29 lakh families identified by Government of India.

Implementation of the system without identifying the families living below poverty line as per Government of India guidelines, lack of basic infrastructure in the wholesale godowns and viability of Fair Price Shops, non-accountal of transit and handling loss of food grains, avoidable transportation expenditure, non-viability of Fair Price Shops due to very low economic returns coupled with poor monitoring of transportation and distribution of food grains rendered the public distribution system ineffective.

1.6.1.2 National Rural Health Mission

The performance audit of the National Rural Health Mission noted gaps in community participation in preparation of village and block plans for project implementation, defeating the objectives of decentralised planning. The Arogya Raksha Samithis were not effective in management of healthcare centres. There was delay in taking up the upgradation and construction of healthcare centres resulting in huge amount of the funds remaining unspent even at the end of fourth year of project implementation. There was shortage of medical and paramedical staff and lack of essential equipment and buildings for the healthcare centres. Evaluation of health indicators indicated poor achievement in reducing maternal mortality and registering higher cure rate of endemic diseases. Computerisation of health centres up to block level and networking was yet to be achieved.

1.6.1.3 Karanja project

The project which envisaged irrigation of 35,614 ha of land at a cost of Rs 9.90 crore could not be completed despite revising its cost to Rs 532 crore and even after 38 years of its commencement. The irrigation potential was also revised downwards to 29,227 ha due to drastic reduction in the inflow of water into the reservoir and the maximum area irrigated at the end of March 2009 with an outlay of Rs 481.10 crore was only 1,040 ha. The benefit cost ratio was reduced to 0.26 rendering the project economically unviable.

1.6.1.4 Internal control in Public Works, Ports & Inland Water Transport Department

An evaluation of Internal control in Public Works, Ports & Inland Water Transport Department revealed non-compliance with rules, manuals and codes in budget preparation, expenditure control, accountal of transactions, quality control of Works executed, inventory control, *etc.*

Budget formulation was deficient due to delayed submission of work estimates by controlling officers to the Finance Department. The delayed circulation of Appendix-E to implementing officers, inclusion of unapproved works affected execution of works. There were persistent savings in capital expenditure and wide variations in revenue expenditure. There were long standing unadjusted balances in suspense accounts. Delay in reconciliation of cheques issued and remittances faced the risk of fraud remaining undetected. Departmental Code of 1965 was not updated despite recommendations of Public Accounts Committee. Various control registers were not updated. Failure to conduct physical verification of stores resulted in delay in detection of shortages and surplus and un-serviceable items were not disposed of. Deficiencies in operational controls included instances where requisite designs and drawings were not given to contractors even after due dates of completion of work and instances of payments without check measurements by divisional officers. Monitoring cell at Secretariat level was largely non-functional. The monitoring of disciplinary cases was also inadequate.

1.6.2 Compliance audit of transactions

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of the Government departments/ organisatons. These are broadly categorised and grouped as:

- Non-compliance with rules.
- Audit against propriety/expenditure without justification.
- Persistent and pervasive irregularities.
- Failure of oversight/Governance.

1.6.2.1 Non-compliance with rules

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. This report contains instances of non-compliance with rules involving Rs.18.86 crore. Some important audit findings are as under:

- *Action of the Directorate of Employment and Training to admit 16 private Industrial Training Institutes to grant-in-aid before completion of the mandatory seven year period resulted in violation of the Grant-in-Aid Code and irregular payment of grant-in-aid of Rs 1.12 crore.*

(Paragraph 3.1.1)

- *In violation of Planning Commission guidelines, the Director of Vocational Education diverted Rs 1.97 crore earmarked to provide extra coaching and to supply study material to students belonging to Scheduled Castes and Scheduled Tribes to meet salary expenditure for regular staff.*

(Paragraph 3.1.2)

- *Net Present Value of Rs 13.97 crore was not recovered from user agencies by two forest divisions on transfer of 157.32 hectares of forest land for non-forest purposes.*

  (Paragraph 3.1.3)

- *Deputy Commissioner, Gadag in defiance of norms prescribed by Government of India diverted Rs 81.60 lakh out of Calamity Relief Fund to construct compound wall around the District office complex, to repair roads and to furnish his official residence.*

  (Paragraph 3.1.5)

1.6.2.2 Audit against propriety/expenditure without justification

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure involving Rs.7.14 crore, some of which are as under:

- *Inaction of Commerce and Industries Department for over four years to act on the proposal of a public sector advertising company to allot shares to the Government and failure to levy Business Development Cost resulted in loss of dividend income of Rs 58.77 lakh and potential loss of Rs 10.04 crore.*

  (Paragraph 3.2.1)

- *Bangalore University paid overtime allowance of Rs 2.22 crore to the employees of the University Printing Press during the period 2002-09 without fixing work norms for such payments.*

  (Paragraph 3.2.2)

- *Procurement of higher bandwidth for improving internet connectivity in its campuses by Bangalore University without assessing the capacity of the existing equipment resulted in its under-utilisation and wasteful expenditure of Rs 85.85 lakh.*

  (Paragraph 3.2.3)

1.6.2.3 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It becomes pervasive when it is prevailing in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is not only indicative of non-seriousness on the part of the executive but is also an indication of lack of effective monitoring. This in turn encourages wilful deviations from observance of rules/regulations and results in weakening of the administrative structure. Excess payment of Rs 2.15 crore relating to excess payment of family pension was noticed during audit.

- *During 2008-09, in 841 cases relating to 28 district treasuries, public sector banks made payment of family pension at enhanced rate beyond the period indicated in the Pension Payment Orders resulting in excess payment of Rs 2.15 crore.*

(Paragraph 3.3.1)

1.6.2.4 Failure of oversight/Governance

The Government has an obligation to improve the quality of life of the people for which it works towards fulfilment of certain goals in the area of health, education, development and upgradation of infrastructure and public service *etc.* However, Audit noticed instances where the funds released by Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels involving Rs.10.03 crore. A few such cases have been mentioned below.

- *Failure of the Lake Development Authority to block flow of sewage into Jaraganahalli lake resulted in wasteful expenditure of Rs 3.63 crore on restoration works.*

(Paragraph 3.4.1)

- *Failure of the Government to communicate administrative approval for construction of Underground Drainage, Kolar (Stage-II) within the validity period of the tender, resulted in re-tendering entailing extra cost of Rs 1.73 crore.*

(Paragraph 3.4.2)

- *Execution of water supply scheme to Mulky town and five other villages enroute in Dakshina Kannada district by the Karnataka Urban Water Supply and Drainage Board without ensuring availability of water source, resulted in unfruitful expenditure of Rs 2.90 crore.*

(Paragraph 3.4.3)

- *Failure of the Executive Engineer to acquire land resulted in non-completion of canals rendering expenditure of Rs 1.77 crore spent on construction of a tank in Gulbarga district unfruitful, as the objective of providing irrigation could not be achieved.*

(Paragraph 3.4.4)

1.7 Lack of responsiveness of Government to Audit

1.7.1 Inspection reports outstanding

The Hand Book of Instructions for Speedy Settlement of Audit Observations issued by the Finance Department in 2001 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General (AG) to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, *etc.*, noticed during the inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the AG, who forwards a half yearly report of pending IRs to the Secretary of the Department to facilitate monitoring of the audit observations.

As of 31 August 2009, 983 IRs (3,994 paragraphs) were outstanding against Higher and Technical Education, Water Resources, Minor Irrigation and Public Works Departments. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix-1.1.**

A review of the IRs pending due to non-receipt of replies, in respect of these four departments revealed that the Heads of Offices had not sent even the initial replies in respect of 169 IRs containing 1,331 paragraphs issued between 2001-02 and 2008-09.

1.7.2 Response of the Department to the Draft Paragraphs

The draft paragraphs were forwarded demi-officially to the Principal Secretaries/Secretaries of the concerned Departments between March and July 2009 with the request to send their responses within six weeks. Despite this, the departments did not send their replies to one performance audit and six out of 18 paragraphs featured in this Report. The replies wherever received, have been suitably incorporated in the report.

1.7.3 Follow-up on Audit Reports

Besides Hand Book, the Rules of Procedure (Internal Working), 1999 of the Public Accounts Committee also provide for furnishing by all the departments of Government, detailed explanations in the form of Action Taken Notes (ATNs) to the observations featured in Audit Reports within four months of their being laid on the Table of Legislature to the Karnataka Legislature Secretariat with copies thereof to Audit Office.

The administrative departments did not comply with the instructions and 25 Departments as detailed in **Appendix-1.2** had not submitted ATNs for 92 paragraphs for the period 1995-96 to 2007-08 even as of 7 December 2009.

1.7.4 Paragraphs to be discussed by the Public Accounts Committee

Comments on Appropriation Accounts featured in Audit Reports for the years 1989-90 and onwards are pending discussion by the Public Accounts Committee. Details of paragraphs (excluding General and Statistical) pending discussion as of 7 December 2009 are detailed in **Appendix-1.3**.

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Chapter 2

Performance Audit

Food, Civil Supplies and Consumer Affairs Department

2.1 Public Distribution System in Karnataka

Executive summary

Government of India (GOI) rationalised (April 2002) the existing Targeted Public Distribution System (PDS) to supply 35 kilograms (kg) of food grains at subsidised rates to the families living below poverty line (BPL). The families living above poverty line (APL) were also entitled to 35 kg of food grains at a rate slightly higher than that applicable to BPL families. While the overall responsibility of management of food grains in the country vested with GOI, the respective State Governments were responsible for their effective distribution through the PDS. In Karnataka, the PDS was implemented by the Department of Food, Civil Supplies and Consumer Affairs. During the period 2004-09, the State Government incurred an expenditure of Rs 3,452.44 crore on subsidy and transportation of food grains under PDS.

A performance audit of the implementation of 'Public Distribution System in Karnataka' covering the period 2004-09 was conducted between February 2009 and July 2009. The performance audit revealed that Karnataka was the first State in the country to launch computerisation of ration cards for creating a data base of beneficiaries of PDS by capturing digital photographs and bio-metrics of the family members.

The performance audit, however, revealed the following deficiencies:

- The State policy of excluding ineligible BPL families in the State through certain socio-economic criteria did not work effectively due to relaxation of many of these criteria by the State Government and issue of BPL ration cards on self declarations by the applicants without scrutiny. This, on the other hand, led to inclusion of ineligible beneficiaries in the BPL list and the number of ration cards exceeded the projected households in the State.

- Consequent upon abnormal increase in the number of BPL ration cards, the State Government was saddled with additional financial burden of Rs 1,034.82 crore to supply food grains at subsidised rates. The scale of issue of food grains was also drastically reduced to cater to the increased number of beneficiaries.

- There were instances of improper documentation, mis-reporting of sale transactions, irregularities in the working of fair price shops, etc., which could have led to diversion of PDS commodities to black market. The Department, however, failed to notice these irregularities due to lack of an effective monitoring mechanism.

2.1.1 Introduction

Public Distribution System (PDS) is a major instrument of Government's economic strategy for ensuring availability of food grains to the public at affordable price as well as for enhancing food security to the poor. Government of India (GOI) introduced (June 1997) Targeted PDS (TPDS) under which ten kilograms (Kg) of food grains per month was to be issued at subsidised rates to the families living below poverty line (BPL) with appropriate focus on the poor by streamlining the existing PDS. GOI launched one more scheme *viz.*, 'Antyodaya Anna Yojana' (AAY) in December 2000 for the poorest of the poor in the country. The scheme envisaged distribution of 25 kg of food grains per month at a highly subsidised rate of Rs two per kg of wheat and Rs three per kg of rice. The scale of issue of food grains under both TPDS and AAY was raised to 35 kg per month (29 kg of rice and six kg of wheat) effective from 1 April 2002. GOI launched (2006-07) 'Annapurna Scheme' for distribution of 10 kg of food grains per month free of cost to those senior citizens who were not covered by the National Old Age Pension Scheme. Under the PDS, sugar and kerosene were also distributed at subsidised rates to the beneficiaries.

The network of PDS comprised 267 wholesale godowns, 347 kerosene wholesale points, 20,381 Fair Price Shops (FPS) and 25,350 kerosene retailers. The total number of families assessed by the Government as at the end of March 2009 was 1.60 crore of which 94.69 lakh were BPL, 52.98 lakh APL and 12 lakh AAY families.

2.1.2 Organisational set-up

The Principal Secretary, Department of Food, Civil Supplies and Consumer Affairs (FC&CA) assisted by the Commissioner (FC&CA) was responsible for implementation of the scheme at the State level. The Commissioner was assisted by the Deputy Commissioners, Deputy Directors (FC&CA) and Chief Executive Officers of Zilla Panchayats at the district level and by the Tahsildars and Executive Officers of Taluk Panchayat at taluk level.

2.1.3 Audit objectives

The objectives of performance audit were to assess whether:

- the system of selection of beneficiaries ensured issue of ration cards only to eligible families;
- PDS commodities were supplied timely and in adequate quantities to the beneficiaries; and
- monitoring of the PDS was effective.

2.1.4 Selection, scope and methodology of Audit

The implementation of PDS in the State was last commented upon in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 and the recommendations were made (March 2003) by Public Accounts Committee (PAC) in their Report No.13 of the Eleventh Assembly. The topic was selected to verify compliance to PAC's recommendations, its importance and the amount of expenditure (Rs 3,452.44 crore) incurred during the last five years. Exponential growth of ration cards issued to BPL families, decline in the quantity of food grains issued to the beneficiaries, inadequate infrastructure in the PDS delivery system, *etc*., were other significant factors weighing for selection of this topic.

Implementation of PDS during the period 2004-09 was test-checked (February-July 2009) by reviewing the records of the Commissioner (FC&CA), Bangalore, Deputy Commissioners and Deputy Directors of nine[1] districts, two[2] zonal offices of Bangalore Informal Rationing Area[3] (IRA), 22 taluk offices, 40 wholesale nominees, 52 kerosene wholesale points and 213 FPS by random sampling method.

The audit objectives and the methodology of audit were discussed with the Commissioner, Food, Civil Supplies and Consumer Affairs during an entry conference held in February 2009. An exit conference was held (July 2009) with the Principal Secretary to discuss the audit findings. The reply of the Government has been incorporated at appropriate places.

2.1.5 Compliance with PAC recommendations

PAC had, *inter alia,* recommended identification of beneficiaries on scientific grounds to avoid issue of ration cards to ineligible families and to eliminate bogus ration cards from the PDS. A number of measures such as computerisation of the entire system from the point of sale (FCI godowns) to the point of distribution to the beneficiaries (FPS), strengthening of Vigilance Committees and setting up of Food Security Committees at the FPS level and at Grama Panchayat level respectively to monitor the distribution of PDS commodities were also suggested by the PAC to strengthen PDS.

Audit of PDS revealed that while the Department had initiated computerisation of ration cards to create the database of beneficiaries, working of wholesale godowns and FCI godowns was yet to be computerised. The Department had set up the Vigilance Committees (February 2002) in all the FPS and constituted (July 2005) Food Security Committees at Grama Panchayat level. The effectiveness of computerisation and the working of Vigilance and Food Security Committees are discussed at paragraphs 2.1.7.3 and 2.1.12.1 respectively.

[1] Belgaum, Bidar, Dharwad, Gulbarga, Hassan, Kolar, Mandya, Mysore and Tumkur
[2] North zone and South zone
[3] A city with a population of more than 40,000 is termed as Informal Rationing Area

The Department in complying with the PAC recommendations evolved (January 2005) certain socio-economic criteria to identify families not eligible for inclusion as BPL families. On the basis of a survey with reference to these criteria, about eight lakh ineligible beneficiaries were identified and excluded from the purview of BPL. The identification of beneficiaries was, however, not effective as discussed at paragraph 2.1.7.

Audit findings

2.1.6 Allotment of funds and expenditure

The food grains meant for public distribution are procured by Food Corporation of India (FCI) and made available to the State Government at Central Issue Price (CIP) fixed by GOI for BPL, APL and AAY categories. The difference between the cost of procurement of food grains and their issue price is reimbursed to the FCI in the form of subsidy by GOI. While the food grains meant for APL families are issued at CIP, that meant for BPL and AAY families is further subsidised and the subsidy amount and transportation cost is borne by the State Government. The cost of procurement and transportation of food grains distributed to beneficiaries under Annapoorna Yojana is fully met by GOI.

The details of funds allocated and the expenditure incurred during the period 2004-09 are given in **Table 2.1**.

Table 2.1: Allotment of funds and expenditure

(Rupees in crore)

Sl.No.	Year	Subsidy and Transportation		Annapurna Scheme	
		Funds allotted	Expenditure	GOI release	Expenditure
1.	2004-05	597.00	596.91	Nil	Nil
2.	2005-06	729.95	729.79	Nil	Nil
3.	2006-07	750.00	749.65	0.77	0.08
4.	2007-08	650.00	649.91	5.00	1.18
5.	2008-09	730.00	726.18	Nil	Nil
	Total	**3,456.95**	**3,452.44**	**5.77**	**1.26**

Source: Food, Civil Supplies and Consumer Affairs Department

GOI released Rs 5.77 crore under the Annapurna Scheme for distribution of free rice to 68,040 beneficiaries at the rate of 10 kg per beneficiary per month. The Department could, however, utilise only Rs 1.26 crore as the number of identified beneficiaries was only 36,644 (2004-05) which gradually declined to 14,231 by March 2008. The scheme was discontinued from April 2008.

Scheme implementation

2.1.7 Identification of beneficiaries and issue of ration cards

GOI prescribed (September 2002) an improved methodology for identification of BPL households who could be assisted under various anti-poverty programmes implemented by them. It envisaged adopting a normative approach for identification of the rural poor by introducing a ‘score based ranking' based on relative deprivations revealed by certain socio-economic indicators in contrast to the 'income' and 'expenditure' approach adopted during the earlier BPL censuses. Thirteen scorable indicators such as the type of dwelling house, category and extent of cultivable land, means of livelihood, access to two square meals per day, availability of clothing, sanitation, literacy status of the family, indebtedness level, *etc.*, were prescribed to assess the socio-economic condition of the beneficiaries and the total score for each household was to be calculated to arrive at the relative positioning of each household in a village. The identification of the poor was to be done through a door-to-door survey with hundred *per cent* coverage in each village. GOI guidelines also stipulated that the States may identify the BPL households in such a way that the total number of beneficiaries identified does not exceed the number of BPL persons as estimated by the Planning Commission for the year 1999-2000 by more than ten *per cent*. The entire process of finalisation of BPL list on the above lines was to be completed by 31 March 2003 so that the fresh list could be used during the year 2003-04.

The State Government did not identify BPL families as per GOI guidelines. Instead different criteria for exclusion of families from BPL list were prescribed

The State Government did not conduct the door-to-door survey to identify the beneficiaries as prescribed by GOI. A beneficiary survey was conducted during January 2005 following a certain criteria for identification of ineligible families and their exclusion from the list of BPL beneficiaries. According to these criteria, families holding land of two hectares or more, possessing telephone connections (both landline and mobile), owning diesel/petrol vehicles, having own borewell for irrigation and those having taken loan in excess of Rs one lakh from financial institutions or who were paying income tax, *etc*., were not eligible for inclusion in the BPL list. During the survey, as many as eight lakh ineligible cases were detected and excluded from the purview of BPL. A revised list of 52.81 lakh BPL beneficiaries was prepared and BPL ration cards issued by September 2006.

The Government further relaxed (October 2006) the conditions and identified an additional 18.94 lakh BPL beneficiaries in the State except in Bangalore IRA. In Bangalore IRA, the Department invited (April 2007) applications from the eligible beneficiaries who did not possess ration cards. In all, 3.12 lakh families were identified, of whom 28 were AAY, 95,110 were BPL and 2.17 lakh were APL families to whom ration cards were yet to be issued.

Acceptance of self declaring affidavits led to abnormal increase of BPL beneficiaries

The Government again invited (November 2008) applications from all those who did not possess BPL/APL ration cards and issued (February/March 2009) 28.44 lakh BPL ration cards on the basis of self declarations. The total number of ration cards in the State as at the end of March 2009, after weeding out 5.51 lakh ineligible cases was as under:

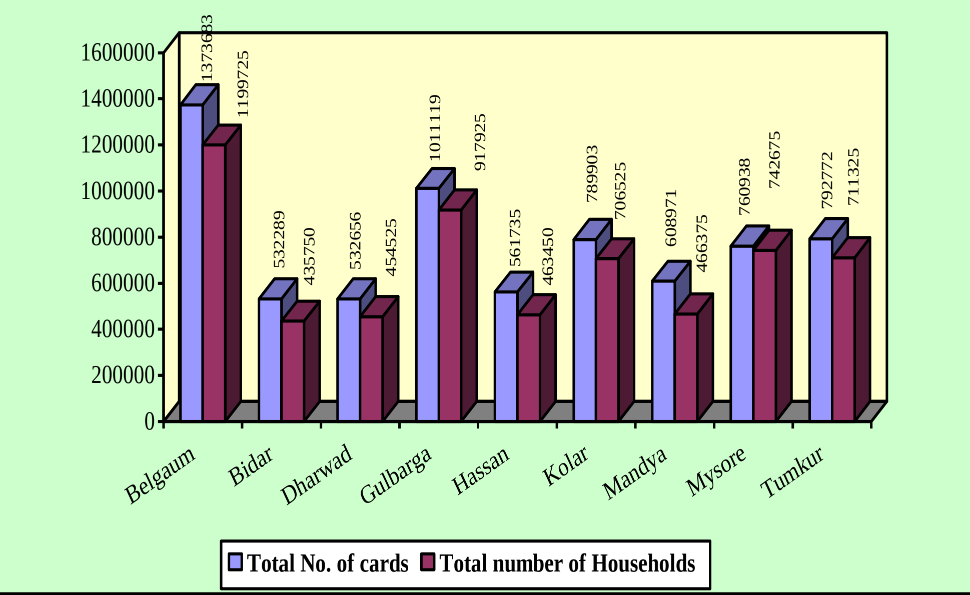
AAY	11,99,700
BPL	94,69,157
APL	52,97,772
Total	**1,59,66,629**

2.1.7.1 Issue of ration cards in excess of the projected households

Number of ration cards issued exceeded the total number of households for a population of 6.05 crore projected for the year 2009

The State Directorate of Economics and Statistics, based on the General Census-2001, projected a population of 6.05 crore for the year 2009. The number of families was assessed at 1.51 crore reckoning four persons per family. The number of ration cards actually issued was 1.60 crore (March 2009) which was in excess of the projected households by nine lakh. The district-wise position of projected households and the number of cards issued by the Department in the test-checked districts is indicated in **Appendix-2.1.**

Chart 2.1: Ration cards vis-à-vis projected households



Mandya district topped in issue of ration cards exceeding the projected households (30.57 *per cent*). In the remaining test-checked districts, the excess issue ranged from 2.46 to 22.15 *per cent*.

2.1.7.2 Issue of BPL cards without scrutiny of applications

The self declarations of the BPL card applicants were to be got scrutinised by the respective village accountant and village panchayat secretary before issuing BPL cards as stipulated in the Government Order. Records revealed that the ration cards were issued without obtaining such scrutiny reports from the village accountant and the village panchayat secretary.

The action of the Government to admit the BPL beneficiaries without conducting a proper survey and without verifying the bonafides of the self declarations resulted in inclusion of ineligible persons in the BPL list. Besides, coverage of all eligible BPL families under PDS could not be ensured.

2.1.7.3 Delay in computerisation of ration cards

There was undue delay in completion of computerisation of ration cards due to non-completion of the beneficiary identification in the State

The Department undertook (March 2006) a comprehensive computerisation project to create a citizen database by capturing digital photographs and bio-metrics of the family members above the age of 12 years for issuing permanent computerised ration cards. The computerisation project aimed at providing PDS benefits to the right beneficiaries besides, improving planning, forecasting, inventory management and administration. The project was entrusted to a private company at an estimated cost of Rs 104.52 crore for commissioning it by October 2006 and extending operational support for a period of five years thereafter. The contractor had completed data digitisation and 77 *per cent* of online photography and capturing biometrics of the beneficiaries. The project was yet to be commissioned due to delay in completion of beneficiary identification process by the Government and an expenditure of Rs 34.87 crore had been incurred on the project.

Delay in launching the survey of beneficiaries and enlarging the base of BPL beneficiaries by relaxation of conditions by the Government resulted in undue delay in completion of the comprehensive computerisation project and non-realisation of intended objectives.

2.1.7.4 Lack of follow-up action to weed out ineligible families

The contractor for comprehensive computerisation of ration cards in the State had identified (2006-09) 16,648 ineligible families which had one or more of their members in Government service. Similarly, 133 families in Hassan district were found to be possessing more than one ration card. But no follow-up action was taken by the Department to weed out the ineligible cases and the bogus cards.

2.1.7.5 Procurement of food grains for BPL families at extra cost

State Government had to bear an extra Rs 1,034.82 crore (2004-09) to supply food grains to BPL families

Although the State Government had identified 106.69 lakh BPL families, GOI allotted food grains with reference to only 31.29 lakh BPL families. The State Government, therefore, treated the remaining 75.40 lakh families as extra BPL (EBPL) and supplied food grains to them at subsidised rates by diverting food grains allotted to APL families and purchasing at higher than the CIP (economic cost). Besides, the scale of issue of food grains was also reduced (February 2007) from 35 kg per BPL card per month to 25 kg (20 kg rice and five kg wheat) per month at the rate of four kg of rice and one kg of wheat per person per month.

Records revealed:

- As the APL quota of rice and wheat was diverted to BPL families, the State Government had to bear the differential cost of Rs 265 per quintal[4] of rice and Rs 195[5] per quintal of wheat. The total quantity of food grains so diverted from the APL quota during the period 2004-09 was 38.84 lakh MT entailing an extra burden of Rs 994.44 crore to the State exchequer.

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4 CIP for APL rice: Rs 830 *minus* CIP for BPL rice: Rs 565

5 CIP for APL wheat: Rs 610 *minus* CIP for BPL wheat: Rs 415

- The State Government procured additional quantity of 33,637 MT of food grains at economic cost during the month of March 2009 incurring an additional expenditure of Rs 40.38 crore for distribution to card holders who were admitted to BPL category on self declaration basis. This was a recurring expenditure every month.
- GOI had directed (September 2002) during the survey of BPL beneficiaries that the number of BPL families could be limited to 10 *per cent* in excess of their earlier estimate of 31.29 lakh families. The total number worked out to 34.41 lakh families. The State Government by identifying the BPL beneficiaries strictly as per GOI guidelines could have obtained food grains at least with reference to 34.41 lakh BPL families. Failure to follow GOI guidelines thus, resulted in the State Government procuring food grains for 3.13 lakh BPL families at rates higher than applicable to them entailing a further extra expenditure of Rs 166.25 crore[6] which was avoidable and recurring.

Thus, the defective system of identification of beneficiaries coupled with relaxation of a number of conditions resulted not only in inclusion of a large number of ineligible persons in the BPL list but also caused a heavy financial burden on the State Government to supply food grains at heavily subsidised rates.

The Government contended (December 2009) that GOI estimates of BPL families at 31.29 lakh were unscientific. The fact however, remained that the State Government could not make a realistic assessment of BPL beneficiaries by conducting a cent *per cent* survey and claim food grains as per actual number of BPL families.

Procurement and delivery of PDS commodities

Food grains procured by GOI are stored in FCI godowns and made available to wholesale nominees[7] at CIP fixed by GOI for each commodity and for APL and BPL categories separately. Levy sugar is made available to the wholesale nominees by the designated sugar factories at rates fixed by GOI. Kerosene is supplied by the oil companies to the wholesale nominees on the basis of allotment orders of the Commissioner. The Department arranges transportation of PDS commodities from FCI godowns/sugar factories/oil companies to wholesale nominees' godowns (wholesale godowns) and wholesale kerosene points and from there to the distribution points (FPS). The flow diagram of the PDS commodities from the State level to FPS is given in **Chart 2.2**.

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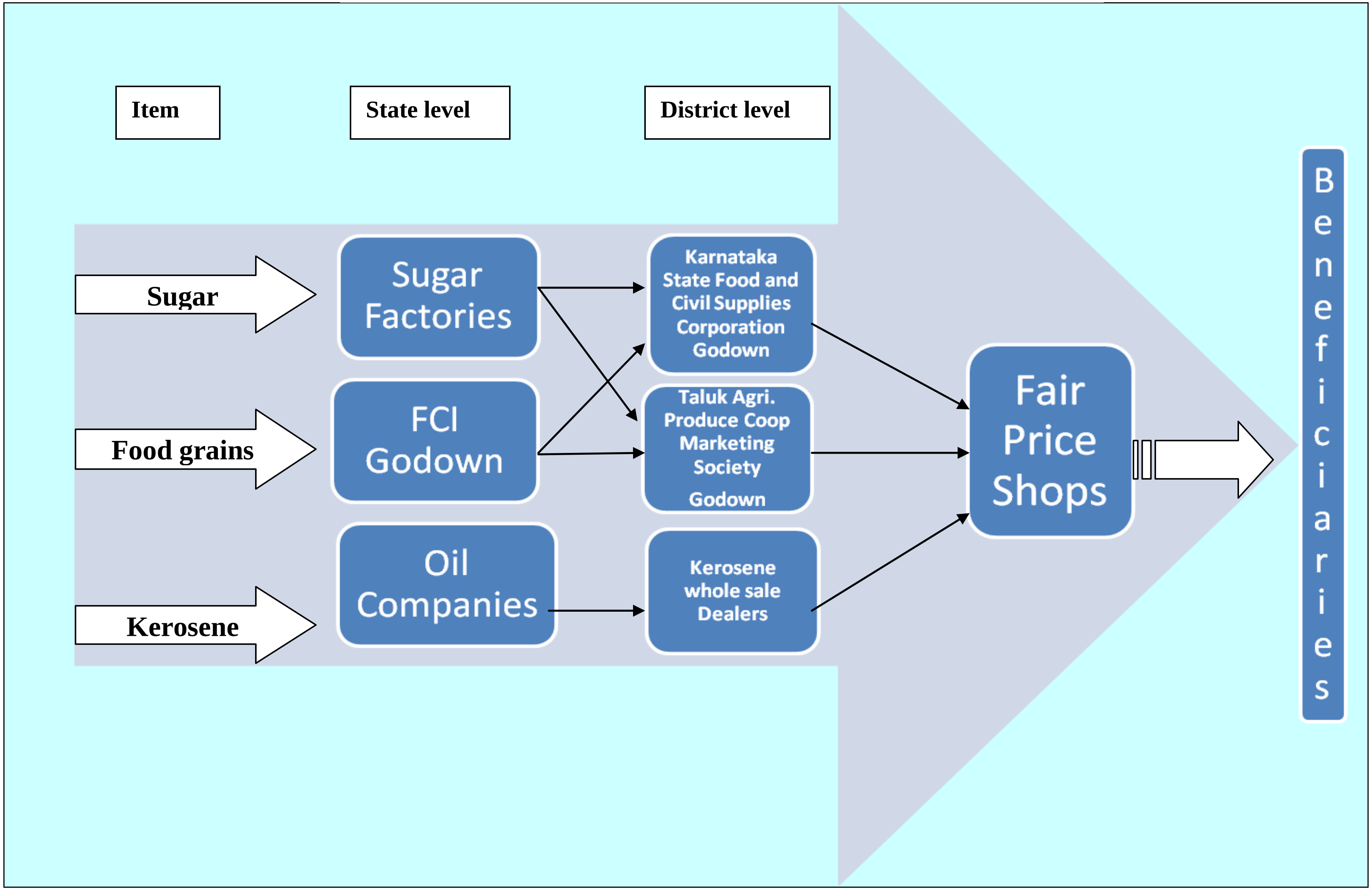
[6] Rice – 3,12,900 families x 29 kg per family per month = 90,741 quintal per month
Extra expenditure for five years = 90,741 x 265 (CIP of APL *minus* CIP of BPL) x 60 months
= Rs 144.28 crore
Wheat- 3,12,900 families x 6 kg per family per month = 18,774 quintal per month
Extra expenditure for five years = 18,774 x 195 (CIP of APL *minus* CIP of BPL) x 60 months
= Rs 21.97 crore
Total = Rs 166.25 crore

[7] Karnataka Food and Civil Supplies Corporation (KFCSC) and Taluk Agricultural Produce and Co-operative Marketing Society (TAPCMS)

Chart 2.2: Flow of PDS Commodities to beneficiaries



2.1.8 Procurement of food grains

GOI introduced (1997-98) a Decentralised Procurement Programme (DCP) to encourage the State Governments to participate in procurement of rice/paddy and wheat on behalf of GOI and to store and distribute them under the Public Welfare Schemes including PDS. The main objective of DCP was to reduce overdependence on FCI for food grains and to reduce the subsidy burden to GOI.

In Karnataka, the DCP to procure rice was made effective from November 2005 and the State Government was to ensure procurement of a minimum 33.33 *per cent* of the total quantity of rice from every miller or dealer in the State by enforcing the Karnataka Rice Milling Regulation and Rice and Paddy Procurement (Levy) Order, 1999.

Procurement of rice under the Decentralised Procurement Programme was only 1.24 *per cent* of total rice production in the State

Total quantity of rice procured during the period 2006-09 under DCP was only 1.36 lakh MT which was a mere 1.24 *per cent* of the total quantity of rice produced (1.09 crore MT) in the State. Procurement of targeted quantity of levy rice would have ensured its distribution to BPL families not only at the prescribed scale but also at most economical rates. This was crucial especially in view of the commitment of the State Government to supply rice to an enlarged base of BPL families at a heavily subsidised rate of Rs three per kg.

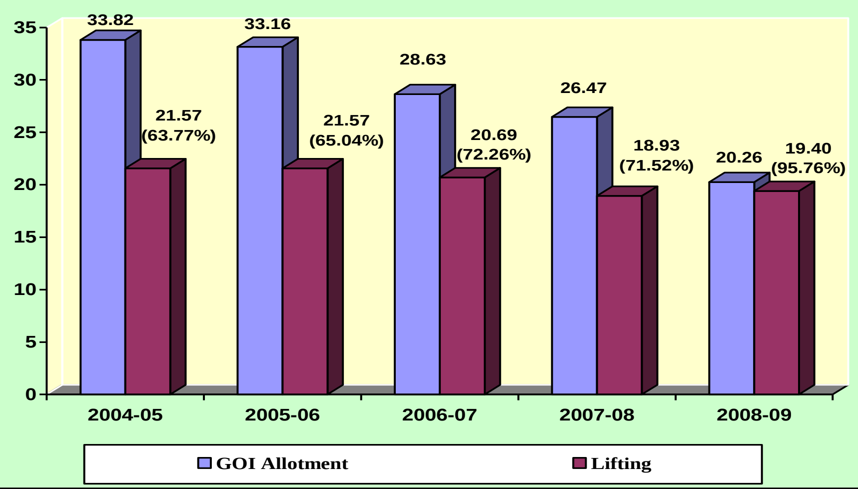
2.1.9 Allotment/lifting/storage and handling of PDS commodities

Several deficiencies such as shortfall in lifting of food grains/sugar, handling and storage losses, inadequate infrastructure in wholesale godowns for storage and handling of PDS commodities and inadequate controls for their delivery were noticed in audit:

2.1.9.1 Shortfall in lifting of food grains

Allotment of food grains by GOI and off take by the State Government revealed shortfall in lifting of the food grains by the wholesale nominees from FCI godowns during the period 2005-09 as shown in C**hart 2.3.**

Chart 2.3: Details of GOI allotment and Lifting of foodgrains during the years 2004-05 to 2008-09 (In lakh MTs)



The shortfall in lifting of PDS food grains was high under APL category

Analysis of the category-wise lifting **(Appendix-2.2)** revealed that lifting of AAY rice ranged from 95.01 to 99.82 *per cent* and wheat between 86.84 and 100 *per cent* during the period 2004-09. Similarly, lifting of BPL rice ranged from 99.39 to 100 *per cent* and wheat was lifted to the extent of 94.62 to 100 *per cent* during this period. The lifting of APL rice was, however, much lower in the range of 44.67 to 87.42 *per cent* and so was wheat which ranged between 29.35 and 96.18 *per cent*. Due to steep shortfall (44 to 51 *per cent* of allotment) in lifting the food grains allotted to APL families, GOI drastically reduced (2008-09) the allotment from 16.56 lakh MT of rice and 4.14 lakh MT of wheat to 6.61 lakh MT of rice and 0.62 lakh MT of wheat. The Department lifted only 87 *per cent* of rice and 96 *per cent* of wheat and diverted the entire quantity to BPL category. This resulted in total denial of food grains to APL families.

The Department did not lift 3,171 MT rice and 19,697 MT wheat meant for BPL families

In view of the unprecedented increase in the number of BPL families during 2004-05 to 2008-09, it was prudent for the State to ensure that the full quantity of food grains allotted by GOI under BPL quota was lifted. But the Department did not lift as much as 3,171 MT of rice and 19,697 MT of wheat during the period 2004-09 and the reasons for shortfall in lifting were not forthcoming.

2.1.9.2 Non-delivery of levy sugar by sugar factories

The Department did not take action to lift 9,667.70 MT of levy sugar (2007-09) from sugar factories

The quantity of sugar required for distribution under PDS was to be lifted by the wholesale nominees from the sugar factories in the State as per the allotment orders of GOI and transported to different districts as per the re-allotment orders of the Commissioner. Review of allotment and lifting of sugar revealed that during the period 2007-09, the State could not lift 9,667.70 MT of sugar from various designated sugar factories as the latter pleaded non-availability of levy sugar. The Department did not, however, take action to apprise GOI to seek revised allotment to other sugar factories so as to procure the required sugar for distribution under PDS. Consequently, 9,667.70 MT of sugar was denied to the beneficiaries.

2.1.9.3 Non-accounting of transit/storage/handling losses

In the absence of norms for transit and handling losses, the shortages in the food grains were passed on to the consumers

Out of 113 godowns in the test-checked districts, 40 godowns were jointly inspected in audit and information was obtained from the remaining 73 godowns. The physical verification of the godown premises and the information obtained revealed that there were visible transit and handling losses at all the test-checked godowns. Despite this, there was no provision for any kind of transit/storage/handling losses and hence, were not accounted for.

Storage loss of sugar at Wholesale Godown in Bidar - April 2009

The FCI was reckoning a transit loss at the rate of 3.5 kg per MT and storage loss at 1.7 kg per MT. Considering a minimum transit and storage loss at 3.5 kg per MT, the total loss incurred with reference to 102.17 lakh MT of food grains lifted during the period 2004-09 worked out to 35,761 MT. In the absence of reckoning this loss, the shortage was passed on to the consumers. The Government accepted (December 2009) the audit findings.

2.1.9.4 Inadequate controls for delivery of food grains

Blank delivery-cum-cash challans signed by food inspectors could have facilitated diversion of food grains

While receiving food grains from the wholesale godowns for transportation to FPS, the transport contractor was required as per Karnataka Value Added Tax Act, 2003 to draw up a trip sheet containing details such as the names of the consigner and the consignee, quantity loaded on to the truck, date, destination and registration number of the vehicle. The trip sheet was to be got countersigned by the godown manager. The wholesale godowns were to draw a delivery cum cash challan indicating all the above details duly countersigned by the owner of the FPS and the Food Inspector as proof of the correctness of the consignment. Besides, the Food Inspector was also to accompany the transport truck to prevent possible diversion of food grains.

Test-check of records of 20 godowns revealed that while trip sheets had not been drawn by transport contractors in any case, the delivery-cum-cash challans (October 2008-March 2009) were not signed by the Food Inspectors in 221 instances. In 85 instances noticed in three test-checked godowns, blank challan forms were found to have been signed by the Food Inspectors. In view of the non-compliance as detailed above, the chances of diversion of food grains or their short accountal could not be ruled out.

No mechanism existed in the Department to detect such improper documentation which was indicative of lack of adequate controls to prevent diversion of food grains to open market. Government stated (December 2009) that instructions have since been issued in this regard.

2.1.9.5 Inadequacy of infrastructure in wholesale godowns

The wholesale godowns did not have quality check and weighing facilities in place

The details furnished by 73 wholesale godowns revealed that 46 of them were housed in rented buildings without proper warehousing facilities, 16 godowns were not provided with leak proof roofs, 27 godowns without a compound wall to prevent movement of stray animals, *etc*. None of the godowns checked in audit had any facility for quality check of food grains before transportation to retail shops. It was also observed in the test-checked godowns of wholesale nominees that they did not have adequate weighing facilities to check the weight of the consignment received from FCI. Only the number of bags received along with the quantity as recorded in the trip sheets was taken into account. The shortages, if any, were not ascertained by the wholesale godowns.

The Department too, did not insist on the availability of this basic requirement with the wholesale nominees to ensure the correctness of the quantity of the food grains supplied to the beneficiaries. Government stated (December 2009) that instructions will be issued to the wholesale nominees in this regard.

2.1.10 Transportation of PDS commodities

Irregularities in the award of transportation contracts, unscientific assignment of sugar factories and crisscross movement of sugar entailing avoidable transportation charges were noticed in the transportation of PDS commodities during the period under review.

2.1.10.1 Transportation of food grains from the FCI godowns

The FCI godowns assigned by the Government for lifting food grains were not the nearest ones leading to an avoidable expenditure of Rs 2.82 crore

The Government assigned (December 2005) one FCI/Central Warehouse Corporation godown (CCI) as well as an alternative FCI/CCI godown in each district as the official godowns for lifting the food grains by the wholesale nominees. These godowns were assigned in view of their least distance to the wholesale points so as to regulate the transportation cost most economically. It was, however, observed that in the test-checked districts, the godowns so assigned by the Government were actually not the nearest ones to the respective district headquarters but were farther by 1 km to 150 km **(Appendix-2.3).** As a result, additional distance had to be covered (2006-09) by the trucks to transport food grains from the assigned godowns to 11 wholesale points in the districts of Bijapur, Koppal, Gulbarga, Davanagere and Chamarajanagar and an avoidable extra expenditure of Rs 2.82 crore **(Appendix-2.4)** was incurred on transportation. It was also observed that the Deputy Commissioners of Bangalore, Chamarajanagar, Davanagere and Gulbarga districts had also pointed out (2006-08) to the Commissioner, the deficiencies in assigning the FCI/CCI godowns. The Government stated (December 2009) that the matter would be taken up with the FCI.

Box 2.1

Excess expenditure on transportation of food grains

In the test-checked districts (*viz.*, Mysore, Belgaum and Bidar), avoidable expenditure of Rs 70.01 lakh was incurred during 2006-09 due to awarding the work of transportation of food grains in Mysore district rates without inviting tenders (Rs 29.56 lakh), lifting 10,116.51 MT of food grains from other than the wholesale godowns assigned by GOI in Belgaum district (Rs 25.76 lakh) and computation of excess mileage by the Department from the FCI godowns to the wholesale points in Belgaum and Bidar districts (Rs 14.69 lakh). The irregularities were suggestive of frauds with possible connivance of Government officials. But no action was taken by the Department to investigate these cases which may lead to recurrence of such incidents. Government stated (December 2009) that the concerned DCs have already been addressed for remedial action.

2.1.10.2 Crisscross movement of sugar

Levy sugar allotted by GOI through various sugar factories every month was to be distributed throughout the State, based on the principle of lifting sugar from the immediate neighbouring factories and subject to availability. In this connection, the Government had assured the PAC that their recommendation to strengthen the transportation system to avoid unnecessary movement of sugar to and from far off places would be implemented by ensuring that the levy sugar collected from the sugar factories in a district is, as far as possible, transported to places within the same district.

Levy sugar was lifted from far-off sugar factories entailing avoidable extra expenditure on transportation

Review of monthly allotment orders of the Commissioner for the month of October 2007 and November 2007 on a test-check basis, however, revealed that sugar was lifted from far-off designated sugar factories instead of the nearby sugar factories involving an additional distance of 4,105 kms for transportation of sugar during October 2007 and 7,083 kms during November 2007 respectively which could have been avoided **(Appendix-2.5).**

Box 2.2

Avoidable expenditure on transportation of sugar

On a test-check basis, the contracts executed to transport sugar from the assigned sugar factory to the godown situated near the district head quarter in Haveri and Gadag districts were reviewed. It was found that in respect of transportation of sugar to Haveri, sugar was lifted from a factory at Athani (226 kms) instead of from the sugar factories situated at Bagalkot (203 kms) and Badami (171 kms) resulting in an avoidable expenditure of Rs 58.18 lakh. Similarly, sugar was lifted from a factory situated in Bidar and transported to Gadag covering a distance of 438 kms instead of lifting sugar from factories at Badami and Bijapur which were only 70 kms and 182 kms away respectively from Gadag. This led to an avoidable expenditure of Rs 1.22 crore. Government stated (December 2009) that they had no role in the matter as the sugar factories are designated by GOI.

The reply was not justified as district-wise lifting of sugar from the designated sugar factories was allotted by the Commissioner only. The reply was also indicative of the fact that the Government did not take any follow-up action on the recommendation of the PAC despite giving an assurance to the latter against such crisscross movement.

2.1.10.3 Irregularities in award of transportation contracts

Action of the Department to award transport contracts at freak rates facilitated diversion of food grains

The contracts for transportation of retail quantities of food grains in Gulbarga district were awarded (2006-07) at freak rates (Re.0.01 to 0.09 per km per quintal) without considering the benchmark rates of Re 0.38 to Re 0.45 per km per quintal approved by the Commissioner. The Regional Transport Authority had also confirmed these freak rates. The Commissioner, however, did not object to this, while accepting the tenders. It was also noticed that two contractors to whom transportation of food grains in Shahapur and Jewargi taluks was entrusted at freak rates were found (July-August 2008) diverting food grains to the open market and the Department had confiscated the food grains. Acceptance of freak rates thus, facilitated diversion. No action was taken to devise a foolproof mechanism to avoid recurrence of such incidents. Government stated (December 2009) that the correct procedure would be ensured in future.

2.1.11 Distribution of PDS commodities

There were noticeable irregularities in the functioning of FPS and mis-management by kerosene wholesale/retail dealers who were responsible for distribution of PDS commodities to beneficiaries.

2.1.11.1 Functioning of Fair Price Shops

The irregularities in the functioning of FPS were strongly indicative of diversion of PDS commodities to black market

Fair price shops are the licensed end point of the PDS network responsible for efficient distribution of food grains to the ration card holders as per entitlement and at the retail issue prices fixed by the Government. There were 20,381 FPS in the State as at the end of March 2009 of which, 200 were run by KFCSC, 8,913 by co-operative institutions and 11,268 by individuals.

213 FPS in nine selected districts and two IRA zones in Bangalore were test-checked for compliance with the terms and conditions prescribed in the PDS (Control) Order, 1992. The major violations observed in the various FPS were:

- 91 FPS were closed during working hours
- 27 FPS distributed food grains below the entitlement
- 52 FPS were not issuing receipts to beneficiaries
- 101 FPS had either not maintained or not updated or partially maintained the prescribed records
- 46 FPS had not displayed the samples of food grains

Apart from the above, instances of short accounting of receipt of food grains (three FPS in Gulbarga taluk), transfer of closing stock of food grains under AAY to BPL (one FPS in Gulbarga taluk), issue of rice up to 50-100 kg to a single beneficiary at a time (FPS in Dharwad taluk), reporting closing stocks of food grains at less than the ground balance (FPS in Hubli taluk) overstatement of sale of kerosene (FPS in Kolar district) were also noticed during the joint inspection of the FPS by audit.

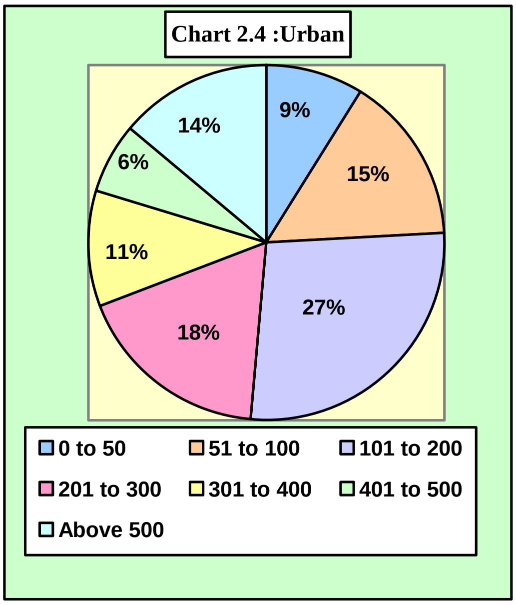
Distribution of food grains below or in excess of entitlement, improper documentation, mis-reporting transactions, *etc.,* were strongly indicative of diversion of PDS commodities to open market. But the Department could not detect these irregularities. Government stated (December 2009) that action would be initiated against the concerned departmental staff.

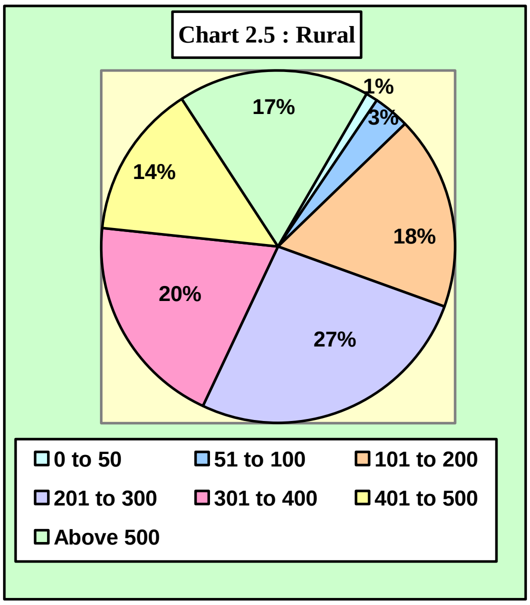
2.1.11.2 Unviable Fair Price Shops

Fair price shops were economically unviable due to very poor profit margin

A reasonable return for FPS owners was an important requirement for securing the efficient functioning of FPS as the income earned from running FPS turned out to be the major/only source of income. According to PDS (Control) Order, 1992, the number of cards assigned to a FPS shall not be less than 300 cards for a FPS in rural areas and not less than 500 cards in urban areas, provided that the authorised authority may, in exceptional cases and for reasons to be recorded in writing, relax the limit up to 200 cards for a FPS in a rural area and up to 300 cards per FPS in an urban area. Scrutiny of the allocation of cards to FPS in the selected taluks of the test-checked districts and a review of the working of the FPS revealed that as against the norm of minimum 300 cards for rural areas, 589 FPS (45.66 *per cent*) out of 1,290 FPS in 12 test-checked taluks were operating (2008-09) with less than 300 cards. Similarly, as against the norm of 500 cards for urban areas, 719 FPS (85.29 *per cent*) out of 843 FPS were operating (2008-09) with less than 500 cards in the three test-checked IRA regions and two zones of Bangalore IRA region **(Appendix-2.6).** The FPS with number of cards ranging from 0-50 to above 500 is depicted at **Charts 2.4 and 2.5**.

Fair price shops operating with less than the prescribed number of ration cards





As the average monthly income of an FPS owner with 300 cards was around Rs 2,600 after reckoning the expenditure towards ground rent, salary for assistants, electricity, transportation and that of the FPS owner with 500 cards around Rs 4,200, the FPS were found economically unviable. With the number of cards assigned to each FPS being less than the prescribed norm and with the reduction in the scale of food grains supplied to each beneficiary the viability of the FPS was further reduced. The irregularities brought out could be attributed to the non-viability of the FPS.

2.1.11.3 Mis-management of distribution of kerosene

The oil companies allocate kerosene to each wholesale distributor in the districts on the basis of the allotment orders of the Commissioner. While the Deputy Commissioner and the CEO, Zilla Panchayat are responsible for allotment of kerosene for urban and rural areas respectively at district level, the Tahsildar and the Executive Officer, Taluk Panchayat are responsible for allotment for urban and rural areas respectively at taluk level. The wholesale distributor distributes kerosene based on the allotment at taluk level. Evaporation and handling losses are allowed up to a maximum of 0.2 *per cent* of total quantity of kerosene sold as per the orders (July 1999) of the Commissioner.

Records revealed:

- Out of the 52 wholesale distributors test-checked, it was observed during physical verification of stock that 26 distributors did not account for evaporation/handling losses. In respect of 16 distributors, the ground balance of stock was in excess of the closing balance as per the records (10 litres to 620 litres) and in respect of 16 wholesale nominees, the shortage in physical balance compared to the book balance was in the range of 12 to 3,080 litres. The variation between the book and ground balances of kerosene was indicative of improper documentation by wholesale dealers which could have facilitated diversion of kerosene to black market.

The deficiencies in the distribution and accounting of kerosene were suggestive of its diversion to black market

- Kerosene was short supplied to 178 FPS of Mandya taluk by 75,661 litres and supplied in excess of allotment by 55,554 litres to 142 FPS and hawkers (licensed retail vendors) of Mandya IRA region during the period September 2008 to March 2009. While the short supply of kerosene led to denial of the full quota of kerosene to the beneficiaries, excess supply could have facilitated diversion of kerosene to black market.

- Distribution of kerosene on retail sale by M/s Rock Oil Association of Hukkeri taluk, a wholesale distributor in Belgaum district who was also a retail distributor, was less by 18,152 litres compared to the total quantity lifted (96,404 litres) from April 2008 to October 2008. The books of the distributor showed that the closing balance was not carried forward as opening balance in the ensuing month. Although the misreporting was inherent with the risk of diversion of kerosene to black market, yet the Department did not detect the irregularity and take remedial action.

The Government stated (December 2009) that necessary instructions would be issued to all wholesale dealers in this regard.

2.1.12 Monitoring and Evaluation

2.1.12.1 Monitoring

The PDS (Control) Order, 2001 provided clear guidelines to the Government for establishing and running an effective monitoring mechanism across all segments of the PDS. This included maintenance of proper records, regular inspections of FPS by the designated authorities, formation of Vigilance Committees and Food Security Committees, periodic system of reporting, linking future allocation of food grains to submission of regular returns and monitoring the functioning of FPS through computer network.

Food Security Committees constituted at the Grama Panchayat level and the Vigilance Committees at each FPS were responsible for the supervision and monitoring of the FPS with power to inspect and check closing stocks, receipt of food grains and their distribution besides checking their basic records. In addition to this, they were also to ensure that the FPS always remained open during the business hours fixed by the Government and that quality food grains are supplied to the beneficiaries. The monitoring of PDS at all levels was ineffective as detailed under:

Detailed inspection of FPS by the Department in five[8] out of nine test-checked districts was totally non-existent although a minimum 300 FPS were to be inspected by the Deputy Director concerned.

Though Vigilance Committees were formed in all FPS and Food Security Committees at Grama Panchayat level, their functioning was found to be ineffective as there was no proper maintenance of records/registers as well as fool proof distribution of PDS commodities by the FPS.

Inspection of the FPS in the test-checked districts revealed that quality check of the food grains was not done. Absence of quality checks rendered the quality control mechanism ineffective.

The Government stated (December 2009) that suitable instructions would be issued to the departmental staff to ensure regular inspection of the FPS.

2.1.12.2 Evaluation

The Government had not conducted an evaluation of PDS in the State (May 2009).

2.1.13 Conclusion and Recommendations

2.1.13.1 Identification of beneficiaries

The State policy of identifying the BPL households by excluding the families on the basis of certain socio-economic criteria and subsequent relaxation of these criteria coupled with the decision to issue BPL ration cards on the basis of self declarations by the applicants led to inclusion of a large number of ineligible families in the BPL list. The number of ration cards even exceeded the total number of households in the State. Consequently, the State Government was compelled to buy food grains at higher cost to supply them at subsidised rates.

Recommendation: The State Government should prescribe suitable socio-economic/income criteria to identify and cover only the eligible BPL families under the PDS. Weeding out of ineligible beneficiaries should be carried out on priority in a time bound manner.

[8] Gulbarga, Hassan, Kolar, Mandya and Tumkur

2.1.13.2 Procurement of PDS commodities

Procurement of insufficient quantities of levy rice by the Department, shortfall in release of levy sugar by some sugar factories and non-lifting of the entire quantities of rice and wheat allotted by Government of India resulted in scaling down the issue of food grains to the beneficiaries which severely affected the poor families in the State.

Recommendation: The State Government should take adequate steps to maximise the procurement of rice produced in the State by enforcing the Levy Order, 1999 and to lift the entire quota of rice and wheat allotted by GOI to ensure adequate food security to the poor.

2.1.13.3 Deficiencies in delivery of PDS commodities

Non-accountal of transit, handling and storage losses, improper documentation of transport of food grains, discrepancies between book balance and ground balance of kerosene with wholesale dealers, award of transport contracts at excessively low rates, mis-reporting of sale transactions, non-issue of receipts by the fair price shops to beneficiaries *etc.*, were strongly indicative of the diversion of the PDS commodities to the black market by wholesale dealers and FPS.

Recommendation: The State Government should ensure that the departmental officers conduct inspections of wholesale godowns and fair price shops regularly as prescribed to prevent irregularities. Computerisation of wholesale godowns and fair price shops should be expedited to ensure proper documentation and reporting of PDS transactions. The working of Vigilance Committees and Food Security Committees should also be made effective to ensure timely delivery of right quantity and quality of commodities to beneficiaries.

Health and Family Welfare Department

2.2 National Rural Health Mission

Executive summary

Government of India (GOI) launched the National Rural Health Mission (NRHM) during April 2005. The main objectives of NRHM are to provide accessible, affordable, effective and reliable health care facilities in the rural areas especially to the poor and vulnerable sections of the population. The Mission was implemented in the State by the Karnataka State Health and Family Welfare Society (State Health Society) under the overall guidance of the State Health Mission. An amount of Rs 1,241.96 crore (Central share: Rs 1,169.23 crore, State share: Rs 72.73 crore) was released for the Mission during 2005-09.

A performance audit of NRHM in the State, conducted between February and May 2009, revealed that the Government increased its spending on public health from Rs 1,001 crore during 2004-05 to Rs 2,042.18 crore during 2008-09. The number of sub-centres (8,143) and public health centres (1,679) in the State was also quite in conformity with the norms prescribed by NRHM. The State had also achieved cent per cent success in total immunisation of children against tuberculosis, diphtheria, pertussis, tetanus and polio under the 'routine immunisation programme'.

The performance audit, however, revealed the following deficiencies:

- The State Health Society did not conduct a cent per cent survey of households and health care facilities to identify the gaps in infrastructure and determine extent of interventions needed under NRHM.
- The community participation in planning, implementation and monitoring of the Mission was not ensured due to delay in setting up the village health and sanitation committees and non-involvement of non-governmental organisations in project implementation and deficient functioning of Arogya Raksha Samithis.
- There was delay in creation and strengthening of infrastructure despite availability of funds. The deficiencies in diagnostic, inpatient and emergency services in the rural health centres compelled the patients to visit district hospitals or private hospitals.
- Delays in appointment of the required medical and para-medical staff to rural health centres affected delivery of proper rural healthcare services.
- The accredited social health activists (ASHA) were yet to be involved at community level to realise the Mission objectives of providing the services of trained female community health workers in rural areas.

2.2.1 Introduction

Government of India (GOI) launched (April 2005) the National Rural Health Mission (NRHM) with the main objective of carrying out necessary architectural corrections in the basic healthcare delivery system. The goal of the Mission is to improve the availability and access to quality health care by people especially those residing in rural areas, the poor, the women and children. The Mission adopts a synergistic approach by relating health to determinants of good health *viz.*, segments of nutrition, safe drinking water, sanitation and hygiene. It also aims at mainstreaming all the Indian Systems[9] of Medicine to facilitate healthcare. The plan of action includes increasing public expenditure on health, reducing regional imbalances in health infrastructure, pooling resources, integration of organisational structures, optimisation of health man-power, decentralisation and district management of health programmes, community participation and ownership of assets, induction of management and financial personnel into district health system and operationalising the community health centres into functional hospitals to meet Indian Public Health Standards (IPHS) in each block of the country.

2.2.2 Organisational set-up

At the State level, NRHM functions under the overall guidance of the State Health Mission (SHM) headed by the Chief Minister to consider policy matters related to health sector and review progress in implementation of NRHM. The activities under the Mission are to be carried out through the Karnataka State Health and Family Welfare Society (State Health Society), which was formed (May 2005) by integrating all the societies set up for implementation of various disease control programmes. The State Programme Management Support Unit (SPMSU) acts as the Secretariat to the State Health Mission as well as to the State Health Society (SHS) and is headed by a Mission Director. At the district level, there is a District Health Society (DHS) headed by the District Health and Family Welfare Officer. The executive committee of the DHS is headed by the Chief Executive Officer, Zilla Panchayat (CEO, ZP) who is responsible for planning, monitoring and evaluation of project implementation, besides releasing funds to healthcare centres and local bodies/societies.

2.2.3 Audit objectives

The objectives of the performance audit were to examine whether:

- planning was decentralised and need based;
- funds provided for the Mission activities were efficiently utilised;
- implementation of different components of the Mission was effective to improve access of rural people to affordable and effective primary health care; and

[9] Indian System of Medicine comprising Ayurveda, Unani, Siddha and Homoeopathy systems

- monitoring mechanism ensured timely and effective interventions to realise the Mission goals.

2.2.4 Selection, scope and methodology of Audit

The topic was selected for performance audit in view of its public importance and substantial outlay (Rs 1,065.56 crore) on the project during the last four years.

The performance audit covering the period 2005-09 was conducted during February-May 2009 by test-checking the records of the Secretary to the Government, Health and Family Welfare Department, the Directorate of Health and Family Welfare, the Karnataka State Health and Family Welfare Society, besides test-check of the records of nine District Health Societies (DHS), 27 Community Health Centres (CHCs), 54 Primary Health Centres (PHCs) and 108 Sub-centres (SCs) in selected nine[10] districts in the State **(Appendix-2.7)** by simple random sampling method.

The audit objectives and the methodology of audit were discussed with the Secretary during an entry conference held in March 2009. An exit conference was held (June 2009) with the Secretary to discuss the audit findings and to elicit the response of the Government/Department. The Secretary agreed to examine the findings and take necessary follow-up action.

Audit findings

2.2.5 Financial management

Funds for NRHM were released by GOI to the States through two separate channels *ie.*, through State Finance Department for direction and administration, rural and urban family welfare services, procurement of supplies and services, *etc.*, and directly to the SHS for implementation of the schemes of Routine Immunisation, Information, Education and Communication (IEC), Reproductive and Child Health (RCH), National Disease Control Programmes, *etc.* During the first two years of the Mission period (2005-2012) GOI provided cent *per cent* grants to the States but from the year 2007-08, the States were to contribute 15 *per cent* of the required funds. The States were required to reflect their requirements in a consolidated Programme Implementation Plan (PIP) and funds were provided on the basis of approval of these PIPs by GOI.

The details of funds released by GOI, the matching contribution of the State Government and the expenditure incurred on the Mission during the period 2005-09 are as shown at **Table 2.2**.

[10] Bangalore (Rural), Bidar, Bijapur, Chamarajanagar, Chickmagalur, Dakshina Kannada, Dharwad, Tumkur and Uttara Kannada

Table 2.2 : Release of funds and expenditure under NRHM

(Rupees in crore)

Year	Releases from GOI	Releases from GOK	Total	Expenditure	Balance
2005-06	178.70	Not Applicable	178.70	148.99	29.71
2006-07	278.61	Not Applicable	278.61	195.66	82.95
2007-08	275.86	Nil	275.86	262.77	13.09
2008-09	436.06	72.73	508.79	458.14	50.65
Total	**1,169.23**	**72.73**	**1,241.96**	**1,065.56**	**176.40**

Source: State Health Society

2.2.5.1 Unspent balances

The unspent project funds as at the end of 31 March 2009 were Rs 176.40 crore

At the end of 31 March 2009, there was an unspent balance of Rs 176.40 crore with the SHS under the components *viz.*, RCH, NRHM Additionalities[11] and Routine Immunisation Programme being the annual maintenance grants, untied funds to Village Health and Sanitation Committees (VHSC), funds for selection of ASHAs and upgradation of healthcare centres as well as those earmarked for improvement to maternal health, information, education and communication activities, family planning, *etc*. Records revealed that Rs 8.14 crore released (July 2005) by GOI towards untied funds to 8,143 SCs in the State (at the rate of Rs 10,000 per SC) had been retained by the SHS up to 2007-08. The SHS did not furnish any reason for the same. Injudicious action of the SHS to retain the funds adversely affected the activities of the SCs and impeded the conduct of sanitation drives, household surveys, *etc.*, out of the untied funds as prescribed under the NRHM Framework.

In the test-checked districts, the unspent balance was Rs 42.84 crore as given at **Table 2.3**.

Table 2.3 : Unspent balance of NRHM funds in test-checked districts

(Rupees in lakh)

District	Opening balance	Funds received	Expenditure	Amount surrendered	Unspent balance
Bangalore (Rural)	95.04	650.40	391.85	37.80	315.79
Tumkur	131.96	1,692.11	1,177.73	96.68	549.66
Bijapur	302.40	1,272.98	708.27	146.12	720.99
Dharwad	110.21	722.18	393.44	--	438.95
Uttara Kannada	149.47	1,046.71	476.55	12.12	707.51
Bidar	94.27	1,084.75	713.31	100.73	364.98
Chamarajnagar	162.14	814.49	483.53	87.10	406.00
Chickmagalur	135.12	848.56	512.41	17.40	453.87
Dakshina Kannada	205.98	779.06	570.10	88.55	326.39
Total	**1,386.59**	**8,911.24**	**5,427.19**	**586.50**	**4,284.14**

Source: State Health Society

[11] All new activities extending beyond the coverage of the existing schemes are covered by NRHM Additionalities.

The test-checked districts had retained project funds of Rs 42.84 crore as of 31 March 2009

Records revealed that failure of the VHSC and the Arogya Raksha Samithis of healthcare centres at each level to draw up action plans, to meet at regular intervals to identify the healthcare needs and to effectively monitor the implementation of the action plans resulted in accumulation of unspent balances and non-realisation of the intended objectives. The Department stated (June 2009) that this was due to lack of awareness of scheme guidelines among the implementing officers and shortage of human resources and other infrastructure. The reply was not factual as the SHS did not take timely action to constitute the committees at various levels and ensure their functioning by providing timely financial resources, guidance and counselling.

2.2.5.2 Delay in transfer of funds

There was a delay of 50 to 396 days in releasing grants to Village Health and Sanitation Committees

The funds released by GOI to the SHS towards corpus grants, untied grants, annual maintenance grants, *etc.,* payable to the healthcare centres and VHSCs were required to be passed on to them without any delay. Records revealed that the DHS of Bidar and Chickmagalur districts released an amount of Rs 1.56 crore received from the SHS, with delays ranging from 50 days to 396 days. The DHS of both the districts attributed (August 2008) the delay to belated opening of the bank accounts and non-existence of District Programme Management Support Units. The fact, however, remained that the delay in transfer of funds resulted in non-conduct of household surveys, delay in disbursal of cash incentives to beneficiaries of Janani Suraksha Yojane[12] and non-setting up of a revolving fund in VHSCs as discussed in succeeding paragraphs.

2.2.5.3 Non/short release of State share of funds

The state Government did not release its share of Rs 41.65 crore to NRHM during 2007-08 and short released funds by Rs.43.50 crore during 2008-09

The State's share of Rs 41.65 crore against the approved project cost of Rs 277.73 crore for the year 2007-08 was not released. For the year 2008-09, the State's share due was Rs 92.92 crore. Against this, the State Government released Rs 72.73 crore only. Besides, it included Rs 23.31 crore for implementation of State schemes namely 'Prasuthi Araike' and 'Thayi Bhagya' which were not included in the approved PIP for the year. The State's share was thus, effectively Rs 49.42 crore only. The Department contended (June 2009) that these schemes although not included in the PIP were very much a part of the objectives of NRHM. The reply was not justified as the State's share was determined with reference to the project cost only as per the approved PIP.

2.2.5.4 Utilisation certificates

The SHS did not furnish complete details of utilisation certificates (UCs) submitted by it to GOI during the period 2005-09. Test-check of some UCs for specific components of NRHM revealed the following discrepancies:

- SHS issued UCs for an aggregate amount of Rs 21.14 crore during the years 2005-06 (Rs 8.14 crore), 2006-07 (Rs 11.73 crore) and 2007-08 (Rs 1.27 crore) under the component 'NRHM-Additionalities' although

[12] A Scheme to promote institutional deliveries in the State

the society did not spend any amount during 2005-06 and 2006-07 and only Rs 40 lakh was spent during 2007-08.

- SHS issued UCs for an aggregate amount of Rs 4.58 crore during 2006-07 under the component RCH although only Rs 45 lakh had been spent on appointment and training of ASHAs in the State during 2006-07.

- SHS incorrectly included Rs 43 lakh in the UC submitted for the year 2004-05 under the component 'Disease Control Programmes' although this amount was received for the year 2005-06.

The incorrect financial reporting by the SHS to GOI was inherent with the risk of diversion of project funds or even their misappropriation.

2.2.6 Planning

NRHM envisages decentralised planning and implementation arrangement at the village level. However, considering the requirement of extensive capacity building to make villages capable of taking up planning exercise, the Mission did not insist on village plans for the first two years of its tenure (2005-2012) and therefore, Block Health Action Plans formed the basis of District Health Action Plans (DHAPs).

Based on the DHAP, the State Plan had to be prepared by the SHM which was to be submitted for approval to GOI before the beginning of each financial year. NRHM Framework further stipulated that a PIP for the State be prepared annually by the SHS by aggregating DHAPs of each district and got approved by GOI for implementation. For comprehensive planning, a household and facility survey at the level of village, block and district was to be conducted at regular intervals.

2.2.6.1 Non-conducting of household survey

Household survey was not conducted as per NRHM Framework and format

In none of the 7,714 villages of the nine test-checked districts, households were surveyed. The DHAPs were prepared on the basis of the data gathered during the District Level Health Survey (DLHS) conducted by GOI for implementation of RCH programme. The DLHS was based on sample survey of only 1,000-1,500 households in each district and as such could not be as comprehensive and effective as the household survey envisaged in the NRHM Framework. GOI provided untied grants to VHSCs each year to be used, *inter alia*, for conducting household surveys and prescribed that 50 *per cent* of the households should be covered by the year 2007 and 100 *per cent* by the end of the year 2008. However, no action was taken to conduct the household survey as stipulated by GOI. The Secretary stated (June 2009) that since the DLHS survey was in compatibility with the requirements of NRHM, no fresh household survey was conducted. The reply was not justified as the Department, in the absence of hundred *per cent* survey of households could not identify all the gaps in the health determinants such as availability of drinking water, access to sanitation, data on early childhood development, nutrition, *etc*., and provide for interventions required under NRHM leading to inadequate planning.

2.2.6.2 Non-conducting of facility survey

Survey of healthcare facilities was not conducted to identify the requirements under NRHM

The NRHM Framework also prescribed formats for conducting survey of existing facilities in the Government healthcare centres of different levels in the State. These formats were comprehensive covering availability of every kind of service, the existing manpower (both critical and supporting manpower), physical infrastructure, equipment, drugs, furniture, quality control, investigative facilities, emergency care, *etc*. The Department instead of conducting the survey with reference to the NRHM format, carried out the survey of facilities in the formats devised under DLHS-3 which were not as comprehensive as NRHM formats, as these covered only a few parameters such as availability of operation theatres, labour rooms, blood storage facilities and the specialists/trained staff at SCs, PHCs and CHCs. A large number of parameters such as investigative facilities, inpatient services, emergency care, *etc.,* were not covered and as a result, the State could not provide for them in the project implementation plan as commented at paragraphs 2.2.7.2 to 2.2.7.6. Reasons for not conducting survey of facilities on NRHM formats were not forthcoming.

2.2.6.3 Non-preparation of Block plans and Village plans and lack of community participation in planning

There was delay in setting up Village Health and Sanitation Committees in the test-checked districts

Records of the test-checked 27 CHCs, 54 PHCs and 108 SHCs revealed that the block and village plans had not been prepared and consolidated into DHAPs due to undue delay in setting up VHSCs and Planning and Monitoring Committees at village, block and district levels as envisaged in the NRHM Framework. The State Plan was based only on DHAPs which did not incorporate either block level or village level plans thereby defeating the objective of decentralised planning of the Mission. While the VHSCs of the test-checked districts *viz.,* Chickmagalur, Tumkur, and Dharwad were constituted during 2006-07, these were set up in Bidar, Dakshina Kannada, Uttara Kannada, Bangalore (Rural) and Bijapur districts only during 2007-08. In Chamarajanagar district, the VHSCs were constituted only during 2008-09. As at the end of 31 March 2009, there were only 23,026 VHSCs as against the 29,406 VHSCs targeted under NRHM. The Government issued orders to set up Health Monitoring and Planning Committees at various levels only in February 2009. Due to delay in setting up the VHSCs and planning and monitoring committees and non-preparation of village and block plans, the community participation in planning process was virtually non-existent. The objective of the Mission to have need based and community owned action plans as the basis for all future interventions, therefore, could not be achieved.

2.2.6.4 Arogya Raksha Samithis

The functioning of the Arogya Raksha Samithis was not satisfactory to realise the Mission Objectives

Each health care centre of the level of PHC, CHC and District Hospital was required to have in place a working Arogya Raksha Samithi (Rogi Kalyana Samithi) comprising both official and non-official members to review the functioning of healthcare facilities and to recommend further improvements to the healthcare system. Although Arogya Raksha Samithis (ARS) had been constituted at all the healthcare centres up to PHC level in all the nine test-checked districts yet their functioning (2005-09) was not satisfactory as detailed below:

- As per NRHM Framework, the General Body of each healthcare centre (*ie.*,DHS, CHC and PHC) had to meet once in a quarter and the Executive Committee monthly. As against this, no meeting was conducted by 17 CHCs and 19 PHCs during 2005-09. In the remaining test-checked DHS, CHCs and PHCs, the number of meetings held was short by as much as 97 *per cent*.
- The ARS of 27 CHCs and 51 PHCs did not set up monitoring committees to collect feedback from patients on the quality of the healthcare.
- The public hearings (Jan Sunwai) and the public dialogues (Jan Samwad) were also not conducted by any of the ARS in the test-checked districts as required under the Mission guidelines.

2.2.6.5 Non-involvement of non-governmental organisations

Non-governmental organisations were yet to be involved in project implementation

Non-governmental organisations (NGOs) were identified as critical for the success of NRHM. Efforts were to be made to involve NGOs at all levels of the healthcare delivery system *viz.*, planning, capacity building, delivery of health services, monitoring the project implementation at community level, *etc*. Five *per cent* of the total financial resources allocated to NRHM was to be earmarked to NGOs as grant-in-aid at district and State levels. The Department was supposed to select one Mother NGO (MNGO) in each district to focus and strengthen the NGO's participation in NRHM.

The SHS did not furnish the records relating to identification and selection of NGOs and release of grant-in-aid to these organisations. In the test-checked districts, although MNGOs had been identified in four districts (Uttara Kannada, Dharwad, Chamarajanagar and Bidar), no grant-in-aid had been released to them. In the remaining five test-checked districts, no MNGO was identified. The SHS stated (June 2009) that 14 MNGOs had been identified for 17 districts and Rupees one lakh each had been released (February 2006) to them to conduct baseline survey in the identified villages. But, due to poor quality of baseline survey by these MNGOs, further release of funds was withheld. Action taken to mobilise the NGOs to pro-actively participate in project implementation was, however, not forthcoming.

2.2.7 Creation and strengthening of infrastructure

The NRHM Framework provided for creation of new infrastructure for health care centres and strengthening the existing ones conforming to Indian Public Health Standards (IPHS)[13] so as to improve accessibility and quality of health care delivery services. This involved upgradation of 21 District hospitals, 53 Taluk level hospitals and 29 CHCs to IPHS besides renovation and expansion of four CHCs, construction of 85 ANM (Auxillary Nursing Midwives) sub centres and 94 PHCs aggregating to 286 works.

2.2.7.1 Upgradation and construction of healthcare centres

There was undue delay in taking up upgradation/ construction of healthcare centres

The Department took up the upgradation/construction/expansion of 286 healthcare centres during the period February-November 2008 at a cost of Rs 112.51 crore. These were entrusted to different agencies for completion by May-August 2009. Out of these, 48 works had been completed at a cost of Rs 8.48 crore at the end of March 2009 and the total expenditure incurred (including works in progress) was Rs 24.87 crore up to the end of May 2009.

Records revealed that there was undue delay in taking up the upgradation/ construction works although funds had been released by GOI consistently during the period 2005-08. The Secretary attributed (June 2009) delay to belated tendering process.

A joint inspection by audit of the health care centres in the test-checked districts (108 SCs, 54 PHCs, 27 CHCs and nine DHs) revealed 63 instances of SCs and PHCs running without a proper building, 23 PHCs without an operation theatre and 36 PHCs without any vehicle (including ambulance) to provide emergency transportation facility to patients.

PHC, Araluguppe (Tumkur District) running without proper building (March 2009)

Untreated bio-medical wastes discarded in Injection Room at CHC, Sirsi (Uttara Kannada District) (March 2009)

One hundred and twenty four SCs/ PHCs/CHCs did not have separate utilities for men and women, 59 SCs and PHCs were not provided with labour rooms, 47 SCs and PHCs did not have water supply, 119 SCs/PHCs/CHCs did not have any facility for scientific disposal of bio-medical wastes and 180 SCs/ PHCs/CHCs did not have residential quarters for the staff **(Appendix-2.8)**.

[13] IPHS is a novel concept to fix benchmarks of infrastructure including manpower, equipment, drugs, quality assurance through introduction of treatment protocols

The Department stated that it required a lot of funds to upgrade the healthcare centre to IPH standards. The reply was not justified as the Department had not conducted a detailed survey of existing facilities to identify the gaps in healthcare facilities at all levels; taken timely action to utilise the available funds to create the infrastructure; assessed the cost to achieve IPH standards and apprised GOI for further release of funds.

2.2.7.2 Deficiencies in inpatient services

Only 37 out of 54 test-checked PHCs had a bed strength varying from one to six

As per the NRHM Framework, each PHC was to be provided with six beds and CHC with 30 beds for inpatient services. It was, however, observed that in only 37 out of test-checked 54 PHCs, inpatient services were available with bed strength varying from one to six. Similarly, out of the 27 test-checked CHCs, only 23 CHCs had 30 bed strength and in the remaining CHCs it varied from 10 to 25 beds. Consequently, the patients were forced to visit either district hospitals or private hospitals for health care. No reply was received as to reasons for not providing adequate facilities.

Deficiencies in inpatient services at PHC, Hulsoor (Bidar District) (March 2009)

2.2.7.3 Deficiencies in operation theatres

As per the NRHM Framework, operation theatre (OT) in each CHC was to be provided with equipment such as cardiac monitor, ventilator, high pressure steriliser, nitrous oxide cylinder, defibrillator, fumigation apparatus, oxygen cylinder, hydraulic operation table, *etc.* It was observed during a joint inspection of 27 CHCs that while cardiac monitors were functioning in only three CHCs, the ventilators were working in only five CHCs. The status of the availability and working of the various OT equipment in the CHCs is detailed in **Appendix-2.9**.

2.2.7.4 Lack of labour rooms in PHCs

Eleven out of 54 test-checked PHCs in the audited districts did not have labour rooms. Consequently, the intended objective of increasing institutional deliveries could not be achieved by these PHCs.

2.2.7.5 Deficiencies in diagnostic services

Basic diagnostic services were not available at the test-checked PHCs/CHCs

The NRHM Framework provides for essential laboratory services at PHCs and CHCs. At the PHC level, the service should include laboratory service for routine urine, stool and blood tests, blood grouping, bleeding time and clotting time, diagnosis of reproductive track infections (RTI)/sexually transmitted diseases (STD), sputum test for tuberculosis, blood smear examination for malaria, rapid tests for pregnancy, *etc.*

It was observed during the test-check of 36 PHCs that routine urine, stool and blood test services were not available in 17 PHCs, sputum test services not in 26 PHCs, blood smear test services for malaria not in four PHCs, diagnostic services for RTI/STD not in 46 PHCs and 33 PHCs did not have blood grouping services. No ultra sound facilities were available in 24 CHCs. The primary health care services could not thus, be effectively delivered at the grassroot level.

2.2.7.6 Deficient emergency services

There were deficiencies in providing emergency health services too, at the test-checked CHCs

In test-checked CHCs, deficiencies in the following services were also noticed:

- emergency obstetric care was not available in 7 CHCs.
- safe abortion facilities were not available.
- no blood storage services were available in 26 CHCs
- no paediatric services were available in 14 CHCs.

Although the above services were to be ensured by the CHCs as per the NRHM Framework, no action was taken to meet the requirements. Thus, the patients were forced to approach district hospitals or private hospitals. The Department cited paucity of funds to provide these services without furnishing details of action taken to secure funds.

Box 2.3

Non-operationalisation of Mobile Medical Units

Under NRHM, one Mobile Medical Unit (MMU) was to be provided in each district to serve unserved/under-served areas with the aim of taking healthcare to the doorstep of the needy people. Such MMUs comprised two components *viz*., a passenger vehicle to transport the medical and paramedical staff and another unit fitted with essential diagnostic/ operational equipment and laboratory facilities.

Based on PIP of the State for the year 2006-07, GOI released (September 2006) Rs 11.73 crore for purchase of 26 MMUs. The Department purchased (December 2007) only 26 passenger vehicles at a cost of Rs 1.47 crore and Rs 10.26 crore were kept (October 2006) in fixed deposits. The Mission Director (MD) outsourced (February 2009) running of mobile health clinics in the rural areas to NGOs in 12 districts and advanced Rs 1.61 crore to the respective DHS for this purpose. The MD neither obtained the approval of GOI for outsourcing this job nor considered the availability of passenger vehicles already purchased for the purpose. Consequently, the expenditure (Rs 1.47 crore) incurred on passenger vehicles was unproductive and the intended objective of rendering healthcare services in the remote areas could also not be realised. Besides, GOI funds of Rs 8.65 crore remained unutilised for nearly two years.

In a glaring instance, one of the passenger vehicles allotted to District Health and Family Welfare Officer, Bijapur was used for other official purposes and during elections by the Zilla Panchayat in disregard of the Mission requirements.

2.2.8 Human resources management

There was acute shortage of human resources at the test-checked health centres

The NRHM Framework provided that each SC was to be run with two ANMs (female) and a multipurpose worker (MPW-Male). The Mission aimed to ensure two ANMs at 30 *per cent* of the SCs by 2007 and 60 *per cent* by 2008 with the second ANM being appointed on contract basis. While the ANMs were to be paid out of Central grants, the MPWs were to be paid by the State Government. The PHC being the first point of interaction of the rural population with a doctor was to be manned by a medical officer. Besides, one AYUSH[14] doctor was to be appointed on contract basis to each PHC. The CHCs, first referral units for the rural population were to be provided with seven specialist doctors and nine staff nurses, besides support staff such as pharmacists and lab technicians.

The NRHM Framework also provided for appointment of medical and paramedical staff on contract basis so as to fill gaps in human resources for delivery of expected health care services by the SC/PHC/CHC/District Hospitals.

Records of healthcare centres in the test-checked districts revealed shortages of medical/para medical staff;

- There was no General Physician in 16 CHCs and General Surgeon in 12 CHCs.
- There were no Gynaecologists and Obstetricians in 8 CHCs.
- The posts of Paediatrician and Anaesthetist were vacant in 14 CHCs.
- There was no regular ANM in 10 PHCs.
- 27 PHCs did not have the required number of staff nurses.
- The post of Pharmacist was vacant in eight PHCs.
- The post of laboratory technician was vacant in 12 PHCs.
- The post of MPW was vacant in 76 SCs.

No action was taken to fill up the vacancies either through regular recruitment or on contract basis during the period 2005-09. The Department in reply stated (June 2009) that the recruitment was underway to remedy the situation. The delay in appointment of the medical and paramedical staff to the rural health care centres affected delivery of proper rural healthcare services.

Box 2.4

Idle anesthesia machines in CHC

Forty anaesthesia machines (Boyle's apparatus) were procured (January 2007) by the SHS at a cost of Rs 73.63 lakh and supplied to 40 CHCs although there was no sanctioned post of anaesthetist in these CHCs. Consequently, the machines were idling for nearly three years resulting in an unfruitful expenditure of Rs 73.63 lakh.

[14] Ayurveda, Unani, Siddha and Homoeopathy systems of medicine

2.2.8.1 Appointment of Accredited Social Health Activists (ASHA)

The accredited social health activists were not involved at community level to realise the Mission Objectives

The NRHM Framework envisages appointment of a trained female community health worker called ASHA in each village in the ratio of one per thousand population (or less for large isolated habitations). ASHA was expected to act as an interface between the community and the public health system. ASHA would facilitate preparation and implementation of the Village Health Plan under the leadership of the VHSC. She would be trained on pedagogy of public health and given a drug kit containing generic AYUSH and allopathic formulations for common ailments to be dispensed among the rural population at their door step. The NRHM Framework envisaged appointment of 50 *per cent* of the required number of fully trained ASHAs by 2007 and 100 *per cent* by 2008.

Records revealed that GOI released (December 2006) Rs 2.93 crore to the SHS for appointment and training of 39,125 ASHAs in the State. As against the required 39,125, only 12,335 ASHAs had been appointed and trained during 2008-09 at a cost of Rs 45 lakh and the balance Rs 2.48 crore was lying unspent with the SHS. The reasons for undue delay in selection and training of ASHAs were not forthcoming. The Department in reply stated (June 2009) that action would be taken to meet the target during the year 2009-10. The delay in the selection of ASHAs had thus, impeded the pace of project implementation.

2.2.9 Evaluation of Health Indicators

The NRHM Framework prescribed National targets for reducing maternal mortality rate (MMR), infant mortality rate (IMR), total fertility rate (TFR) as well as increasing cure rate of different endemic diseases covered under various National disease control programmes. The States were also required to set similar targets for achieving reduced MMR, IMR and to increase institutional deliveries, routine immunisation of children, *etc*., by the year 2010.

2.2.9.1 Maternal mortality ratio and Infant mortality ratio

The RCH programme aims at reducing the MMR rate to 90 per lakh deliveries and IMR to 30 per thousand live child births by the year 2010. The status of MMR and IMR in the State as at the end of the year 2008-09 stood at 228 and 50 respectively.

Factors such as ante-natal care, tetanus toxoid immunisation, iron folic acid administration to expectant mothers and institutional deliveries at the healthcare centres were essential to achieve the prescribed reduction in MMR and IMR.

Ante natal care

There was a wide gap in the total number of pregnant women and those who received antenatal care for safe motherhood in the test-checked districts

Ante natal care (ANC) aimed at safe motherhood and provided for registering all pregnant women at the nearest Government healthcare centres before they attained 12 weeks of pregnancy and provide them with four rounds of ante natal checkup.

Records revealed that out of 9.58 lakh pregnants who were registered for ANC in the test-checked districts, only 4.70 lakh received the prescribed four rounds of ante natal checkup. The Department did not keep track of the remaining registered pregnant women to ensure completion of all the prescribed rounds of checkup and to ensure their safe motherhood.

Tetanus Toxoid immunisation

Under the NRHM Framework, all the pregnant women were to be administered two doses of tetanus toxoid. There was, however, a shortfall in immunising the pregnant women as only 9.60 lakh pregnant women were immunised against a target of 10.56 lakh due to short supply of vaccines by GOI.

Iron folic acid administration

There was shortfall in achieving the targets for immunisation of pregnant women and administering iron tablets to them

All pregnant women were to be administered 90 or more iron folic acid tablets during the course of pregnancy. Although 10.10 lakh pregnant women were registered for iron folic acid (IFA) administration in test-checked districts, the number who actually received the required number of IFA tablets was only 5.02 lakh resulting in 5.08 lakh pregnant women going without IFA tablets although iron deficiency was considered to be the serious cause of maternal deaths. The Department did not ensure that the remaining pregnant women received the required number of IFA tablets essential for safe motherhood.

Institutional deliveries

The SHS did not furnish information regarding the target fixed for institutional deliveries, total institutional deliveries registered in the State during the period 2005-09 and the action taken to achieve the target in case of shortfall. However, in the test-checked districts, the details of targets and achievements for institutional deliveries are as at **Table 2.4**.

Table 2.4: Details of targets and achievements for institutional deliveries

District	No. of pregnant women registered at Government Healthcare Centres	Target for institutional deliveries (2005-09)	Achievement (2005-09)	Domiciliary deliveries	Percentage of institutional deliveries
Bidar	1,54,151	96,947	73,354	38,592	75.66
Bangalore (Rural)	1,21,921	1,03,633	76,438	3,363	73.76
Bijapur	2,09,860	86,271	NF	77,527	NA
Uttara Kannada	90,195	77,840	71,561	8,038	91.93
Chickmagalur	56,081	NF	38,519	5,802	NA
Chamarajanagar*	NF	NF	NF	NF	NA
Dharwad*	1,41,325	NF	74,459	9,095	NA
Dakshina Kannada	75,157	69,108	66,833	2,275	96.70

Source: State Health Society

NF = Not furnished, NA – Not applicable

*** Chamarajanagar and Dharwad districts did not furnish the details of targets fixed.**

There was a shortfall in the institutional deliveries ranging from 3.30 to 26.24 *per cent* in the test-checked districts

The targets fixed for institutional deliveries in Bidar, Bangalore (Rural), Bijapur and Uttara Kannada districts were unrealistic in as much as they were less than the number of pregnant women registered in the Government healthcare centres by 13.70 to 58.90 *per cent*. There was a shortfall in institutional deliveries ranging from 3.30 to 26.24 *per cent* in the test-checked districts.

In the absence of operation theatres, labour wards, equipment, specialists in Obstetrics and Gynaecology, Anaesthesia, *etc*., delay in appointment of ASHA, filling up vacant posts of ANM and constitution of planning and monitoring committees at village level coupled with inadequate coverage for ante-natal care, it was dificult to conclude that the objective of institutional deliveries had been attained in the State.

Box 2.5

Shortfall in disbursement of cash incentives under Janani Suraksha Yojane

The NRHM Framework provides for payment of cash incentives immediately after the delivery of first and second child, at the rate of Rs 500 and Rs 700 for institutional deliveries. Records of test-checked CHCs and DHS of Bidar and Dharwad districts revealed that against 38,186 cases of institutional deliveries involving below poverty line beneficiaries during 2008-09, the Department paid cash incentives in only 34,028 cases and the remaining beneficiaries were denied the benefits on grounds of non-availability of fund and non-production of proper documents. The inaction of the Department was not justified as the cash incentives had to be paid as per Mission Framework within seven days of delivery after verifying the bonafides of the beneficiaries. Failure to take timely action resulted in denial of the benefits.

2.2.9.2 Family planning

The NRHM Framework launched a number of initiatives under family planning (FP) while continuing existing methods to achieve the goal of population stability and reduction in total fertility rate by the year 2012. The FP included terminal method to control total fertility rate and spacing method to improve couple protection ratio. While the terminal method included vasectomy for males and tubectomy (including Laparoscopy) for females, the spacing method included using oral pills, condoms and inserting intrauterine contraceptive devices.

There was a shortfall in achieving family planning targets by 6.8 *per cent* to 98.77 *per cent* in the test-checked districts

Records in the test-checked districts revealed that against a target of 1.08 lakh conventional tubectomies during the period 2005-09, the achievement was one lakh indicating a shortfall of 6.8 *per cent*. Under laparoscopic tubectomy, as against a target of 1.87 lakh cases during the period 2005-09, the achievement was only 1.02 lakh indicating a shortfall of 45.46 *per cent*. Under vasectomy, the achievement was only 765 as against a target of 62,020 cases during 2005-09 indicating an acute shortfall of 98.77 *per cent*. Although specific reasons for shortfall were not furnished by the implementing officers, delay in appointment of ASHA, continued vacancies in the post of ANM and non-existence of Planning and Monitoring Committees at village level as well as non-involvement of NGOs in project implementation were largely responsible for shortfall in achievement of the goals prescribed under family planning.

2.2.9.3 Routine immunisation

The targets under oral polio vaccine and DPT were over achieved during 2005-08

Immunisation of children against six preventable diseases *viz.,* tuberculosis, diphtheria, pertussis, tetanus (DPT), polio and measles was envisaged under the routine immunisation programme. The Department had set annual targets for immunisation against each of these six diseases. In addition, GOI had launched 'pulse polio' programme to eradicate polio and ensure zero transmission by the end of 2008. The details of targets and achievements at the State level during 2005-08 were as at **Table 2.5**.

Table 2.5: Targets and achievements under routine immunisation

	Targets (2005-08)	Achievement (2005-08)*	Excess/shortfall
BCG (Tuberculosis)	32,34,363	33,25,618	(+) 91,255
DPT	21,60,424	21,84,665	(+) 24,241
Oral Polio Vaccine (OPV)	32,34,363	32,69,677	(+) 35,314
Measles	32,34,363	31,22,694	(-) 1,11,669
Pulse Polio (GOI programme)	Targets and achievements not furnished by SHS		

Source: State Health Society
*** Details of targets and achievements for 2008-09 were not furnished by the Department**

While there was a shortfall in the achievement of targets in respect of measles (3.46 *per cent*), the targets under administration of BCG, Oral Polio Vaccine and DPT were over achieved by 2.82 *per cent*, 1.09 *per cent* and 1.12 *per cent* respectively.

In the test-checked districts, it was observed that the Pulse Polio Programme was a success throughout the period 2005-08 with an achievement ranging from 99.15 *per cent* to 101.52 *per cent*.

2.2.9.4 Administration of Vitamin 'A' solution to children

Shortfall ranging from 7 to 37 *per cent* in administration of Vitamin 'A' to children

The NRHM Framework emphasised administration of Vitamin 'A' solution to all children less than three years of age to protect them against blindness due to vitamin 'A' deficiency. This required administration of first dose of Vitamin 'A' solution at 9 months of age and second dose along with DPT/ OPV and subsequent three doses at every six months interval.

Records revealed that during the period July 2005-January 2008, the achievement varied from 63 *per cent* to 93 *per cent*. The shortfall was attributed to migration of labour class parents at the time of administration, inaccessibility of beneficiaries due to rainy seasons, *etc,*. However, no details were available with the implementing officers in support of the reasons for shortfall.

2.2.9.5 National Vector Borne Disease Control Programme

The National Vector Borne Disease Control Programme (NVBDCP) aimed at controlling vector borne diseases such as malaria, filaria, kala azar, dengue, chikungunya, Japanese encephalitis, *etc*., in endemic areas through close surveillance, controlling mosquito breeding and providing treatment facilities at health centres. The programme stipulated to achieve an annual blood examination rate of 10 *per cent* to detect/diagnose the incidence of vector borne diseases and an annual parasitic incidence of less than 0.5 per thousand population.

Records revealed that in the State the annual blood examination rate was 18.90 *per cent* and 16.8 *per cent* for the years 2005-06 and 2006-07. But the annual parasitic incidence was 1.2 per thousand and 0.9 per thousand for 2005-06 and 2006-07 respectively. The details of achievement during 2007-09 were not furnished by the SHS.

2.2.10 Management Information System

The NRHM Framework envisaged developing a computer based Management Information System (MIS) at each DHS and reporting monthly to the SHS. The computerisation of health care centres up to block level and networking under the Integrated Disease Surveillance Project (a component under NRHM) were necessary for reporting through the MIS. Besides, the Mission envisaged an elaborate system of monitoring the implementation of various programmes at all levels *viz*., the State Health Society, District Health Society, Block level and Village level Planning and Monitoring Committees. The Mission also provided for a State Programme Management Support Unit (SPMSU), District Programme Management Support Units (DPMSU) and Block Programme Management Support Units to facilitate Management of health care services by professionals and by providing technical support in the fields of accounting, MIS, human resource management, *etc.*

Records revealed:

2.2.10.1 Non-computerisation of CHCs

Computerisation of CHCs and setting up the PMSUs had not been achieved

None of the 27 test-checked CHCs was computerised during the period 2005-09. Reasons for non- computerisation of CHCs were not forthcoming.

2.2.10.2 Non-setting up of PMSUs at Block level and under-staffing of PMSUs at District and State level

PMSUs had not been set up at block level in 27 test-checked CHCs even at the end of March 2009 and the PMSUs at the district and State level were understaffed. Consequently, factual correctness of financial reporting was affected. The Department did not furnish any information on the action taken in the matter.

2.2.11 Conclusion and recommendations

2.2.11.1 Planning

The launching of the National Rural Health Mission without conducting a survey of the households and existing facilities was defective as the Department could not accurately assess future interventions required and fix realistic financial and physical targets. Lack of community participation in preparation of village and block plans for project implementation defeated the objectives of decentralised planning intended to ensure a health system more responsive to the needs of the local community. The functioning of ARSs and the involvement of NGOs were also not effective further impacting the community participation.

Recommendation: The SHS should ensure survey of households and facilities as per NRHM Framework to identify all the gaps in the health care facilities and to include them in the future project implementation plans. Expeditious action should be taken to set up the planning and monitoring committees as well as village health and sanitation committees throughout the State. The functioning of ARSs and involvement of NGOs also needs to be improved.

2.2.11.2 Unspent project funds and defective UCs

There were huge unspent balances under various components of NRHM representing untied funds to VHSCs, funds for upgradation/expansion of healthcare centres, appointment of ASHAs, reduction of maternal and infant mortality, *etc.*, leading to delay in realisation of intended objectives. The incorrect financial reporting by SHS through defective UCs carried the inherent risk of diversion or even misappropriation of funds.

Recommendation: The State Government should provide the VHSCs with untied funds and suitable guidance and counselling for their functioning. Upgradation/expansion of healthcare centres as well as appointment and training of ASHAs should be expedited to create necessary healthcare infrastructure and to provide trained female community health workers in rural areas. The PMSUs should be set up in each block and staffed adequately to ensure correctness of financial reporting by the unit officers.

2.2.11.3 Deficiencies in healthcare services

The deficiencies in diagnostic services, inpatient services, emergency services and lack of labour rooms and operation theatres in healthcare centres at village and block/community level compelled the patients to approach district/private hospitals defeating the objectives of providing accessible and affordable healthcare facilities to the rural poor under NRHM.

Recommendation: A time bound programme should be drawn up to identify the gaps and create basic health infrastructure at all levels to render primary healthcare services especially in rural areas.

2.2.11.4 Shortage of staff and poor health indicators

Shortage of medical and paramedical staff together with lack of essential equipment and buildings for the healthcare centres resulted in denial of primary healthcare to the rural people. Evaluation of health indicators indicated poor achievement in reducing maternal mortality and institutional deliveries.

Recommendation: Expeditious action should be taken to fill the existing vacancies in all the health care centres in a time bound manner. Government should ensure that antenatal care is provided to all expectant mothers to ensure safe motherhood and reduction in infant mortality.

2.2.11.5 Monitoring

Computerisation of healthcare centres upto the block level and networking was yet to be achieved to develop a computer based Management Information System at each DHS.

Recommendation: A time bound programme should be drawn up to commission the MIS at DHS utilising the available financial resources.

The matter was referred to Government in July 2009; reply had not been received (December 2009).

Water Resources Department

2.3 Karanja Project

2.3.1 Introduction

Karanja project is a major irrigation project envisaged to irrigate an *atchkat* of 35,614 hectares[15] (ha) in Bhalki and Bidar taluks. The project comprising an earthen dam, a Right Bank Canal (RBC) of 131 km, a Left Bank Canal (LBC) of 31 km and one Lift Irrigation Scheme (LIS) was administratively approved (November 1969) for Rs 9.90 crore. Subsequently, the project was cleared (August 1992) by the Planning Commission at an estimated cost of Rs 98 crore for completion by March 1997. The project cost was revised (April 1996) to Rs 258.17 crore and further revised to Rs 532 crore, the approval to which was pending with the Government as of March 2009. In the revised estimate, reduction of *atchkat* from 35,614 ha to 29,227 ha was proposed. The expenditure incurred on the project was Rs 481.10 crore as of March 2009.

Records of three divisional offices, one circle office and central office covering the period from 2003-04 to 2008-09 were test-checked and results thereof are brought out in the succeeding paragraphs.

2.3.2 Financial management

The project cost was initially met out of State funds and subsequently a Central Loan Assistance (CLA) of Rs 176.78 crore[16] was received under the Accelerated Irrigation Benefit Programme (AIBP) between 1997-98 and 2003-04 (under normal and fast track) for completing the balance works. The balance works related to construction of main canals, distributaries, sub-distributaries and water courses were to be completed by June 2004.

The details of budget grants, expenditure incurred and unspent balance of CLA each year during the period 2003-09 were as given in **Table 2.6.**

Table 2.6 : Budget grant and expenditure

(Rupees in crore)

Year	CLA available	Budget grant	Works expenditure	Establishment expenditure	Total expenditure	CLA unspent balance
2003-04	86.22	25.00	18.86	5.99	24.85	67.36
2004-05	67.36	61.63	42.26	6.06	48.32	25.10
2005-06	25.10	48.84	16.83	6.12	22.95	8.27
2006-07	8.27	45.70	13.95	6.89	20.84	Nil
2007-08	Nil	11.23	3.39	7.67	11.06	Nil
2008-09	Nil	12.53	2.43	8.36	10.79	Nil
Total		**204.93**	**97.72**	**41.09**	**138.81**	

Source: Water Resources Department

[15] RBC – 27,520 ha, LBC – 4,047 ha, LIS – 4,047 ha

[16] Rs 77.14 crore under normal track (from 1997-98 to 2001-02) and Rs 99.64 crore under fast track (from 2002-03 to 2003-04)

The estimated cost of balance works was Rs 99.64 crore. Against, CLA of Rs 86.22 crore available, the budget provision made during 2003-04 was Rs 25 crore only. Thus, CLA was not fully made available by the Government for completion of balance works as programmed. Inadequate budget provision and short release of funds in subsequent years resulted in CLA remaining unspent upto the year 2006-07.

The Department while accepting (September 2009) inadequate budget provision for 2003-04, stated that expenditure in subsequent years was less because of short release of funds by the Finance Department.

Incurring of expenditure without obtaining administrative approval

Paragraph 107 of the Karnataka Public Works Departmental Code stipulates that when the project cost exceeds 15 *per cent* of the sanctioned estimate, revised administrative approval should be obtained without waiting for the preparation of a revised estimate. The revised cost of Rs 258.17 crore was approved by Government in April 1996 and accordingly a maximum expenditure of Rs 296.89 crore only could have been incurred. As of March 2009, the total expenditure incurred was Rs 481.10 crore. Thus, incurring of expenditure of Rs 184.21 crore without obtaining administrative approval was irregular.

2.3.3 Cost and time overrun

The construction of the project commenced during 1971-72 had not been completed even after 38 years. The cost of the project had escalated by 53 times from Rs 9.90 crore to Rs 532 crore, out of which an expenditure of Rs 481.70 crore had already been incurred (March 2009).

Field Irrigation Channels (FICs) for 14,692 ha, two aqueducts and tail end distributaries under RBC, rejuvenation of KLIS, Atiwel LIS, KLIS canal for three km and D-1 distributary were yet to be completed as of March 2009.

2.3.4 Potential created and area irrigated

Area not notified for irrigation during kharif season

The project envisaged annual irrigation of 35,614 ha in Rabi, Kharif and bi-seasonal by utilising 7.12 TMC of water. During 1990-2007, the average quantum of water stored in the reservoir was 2.54 TMC with storage ranging from 0.498 TMC to 4.47 TMC. The Water Resource Development Organisation (WRDO), Bangalore assessed (September 2006) total water inflow as 3.87 TMC which did not meet the requirement of 4.38 TMC of water for irrigating rabi crops. The potential created as of March 2000 was 22,793 ha as against the targeted 35,614 ha. The details of area notified for irrigation and area irrigated as per WRD and Revenue Department (RD) are as shown at **Table 2.7**.

Table 2.7: Year-wise details of area notified and area irrigated

(in hectares)

Year	*Atchkat* created	FICs completed	Area notified		Area irrigated as per departmental statistics		Area irrigated as per Revenue Department	
			Kharif	Rabi	Kharif	Rabi	Kharif	Rabi
2004-05	18,192 (up to 31.03.2005)	15,955	Nil	Nil	Nil	Nil	Nil	Nil
2005-06	3,935	1,694	Nil	8,300.00	Nil	2,707.515	Nil	534
2006-07	666	2,263	Nil	6,242.76	Nil	4,289.345	Nil	960
2007-08	0	1,010	Nil	5,600.00	Nil	4,181.542	Nil	1,040
Total	**22,793**	**20,922**						

Source: Water Resources Department and Revenue Department

Due to availability of less water no area was notified for irrigation during Kharif season against contemplated area of 26,316 ha in any of the years. The maximum area notified for irrigation during last four years (2004-08) was 8,300 ha and maximum actual area irrigated was 4,290 ha against potential created for 22,793 ha.

Further, there was wide variation in the area stated to be irrigated by the Irrigation Department and figures furnished by RD. The Superintending Engineer stated (April 2009) that the figures furnished by RD were for few crops only and figures given by the Department were as per cropping pattern. However, the reports on area actually irrigated which is to be jointly attested by the Sub-divisional Officer of the Department and the Tahsildar as per paragraph IX (3) of Irrigation Manual were not on record.

2.3.4.1 Benefit cost ratio (BCR)

BCR reduced from 1.9 to 0.26

BCR as per revised project estimate was 1.94. The revised yield of 3.87 TMC of water, as assessed by WRDO in September 2006 was not sufficient even to irrigate rabi crops in 15,352 ha **(Appendix-2.10)**. In the absence of Kharif and bi-seasonal irrigation, the BCR worked out to 0.26 (**Appendix-2.11)** affecting the project viability.

2.3.4.2 Injudicious planning of additional works

Planning for additional components costing Rs 51.70 crore was injudicious

In order to achieve the total projected potential of 29,227 ha, proposals were included in the revised estimate (October 2008) on additional components like tail-end distributaries of RBC, D1 distributary of Karanja LIS and Atiwal Lift Irrigation Scheme with a potential of 6,434 ha, at a total cost of Rs 51.70 crore. Against this, Rs 12.25 crore towards first instalment was released (March 2009) under AIBP grant. In view of the reduction in inflow of water into the reservoir, proposals to execute additional works were not feasible and any expenditure thereon may not prove fruitful. The Government stated (September 2009) that only the tail end distributary of RBC would be considered in view of the reduced inflow.

2.3.4.3 Non-functional Karanja Lift Irrigation Scheme

Karanja LIS was completed during 1997-98 with the objective of irrigating 4,047 ha. The up-to-date expenditure on the scheme was Rs 34.47 crore.

However, the LIS could not be put to use as heavy leakages were noticed in the rising main during trial run of the scheme (June 2000).

Delay in rectification works rendered out lay of Rs 34.47 crore largely unfruitful

An audit paragraph highlighting faulty design of rising main leading to infructuous expenditure had appeared in the C&AG's Report 2002-03 (Paragraph 4.1.7). The State Public Accounts Committee (PAC) had also directed the State Government to rectify the defects in the rising main apart from taking action against the officers responsible. However, the defects had not been rectified (March 2009). Hence, the entire expenditure of Rs 34.47 crore remained unfruitful.

The Government had ordered (October 2005) filing of civil suit against seven retired officials besides taking departmental action against one official for recovering the loss of Rs 2.66 crore on this account. Action was yet to be taken in the matter.

The Government stated (September 2009) that the work on rejuvenation of Karanja LIS is programmed for completion during 2009-10. The revised estimate for the work for Rs 5.67 crore is, however, yet to be cleared by the Technical Advisory Committee (September 2009)

Box 2.6

Delay in taking departmental action against officials

Government ordered action against 118 officials, in 25 cases[17], responsible for irregularities in execution of works costing Rs 11.88 crore. However, out of 118 officials, 32 officials have retired from service. Though departmental enquiry against 27 officials in four cases involving Rs 3.49 crore is in progress, in the case of 54 officials involving Rs 4.21 crore, the civil cases/criminal cases/ police complaint is yet to be filed (March 2009). In the remaining cases, no action has been taken. Government stated (September 2009) that action as ordered, is being taken.

Non-recovery of extra cost from defaulting contractors

Provision of agreement concluded with contractor(s) provides that where the contractor fails to execute any part of the work, the extra cost involved in getting the work completed from second agency shall be recovered from the defaulting contractor. In respect of eight works rescinded between January 2006 and July 2007, extra cost of Rs 1.53 crore was not recovered. Government agreed (September 2009) to take action to recover the extra cost in all cases.

2.3.5 Stores and Stock

Stores and stock costing Rs 1.25 crore were lying unutilised for more than six years

The divisional officers are responsible for the custody and protection of surplus stock from deterioration by taking proper precaution to prevent any loss of stores. Audit scrutiny of half yearly register (PWG 15) of stock of Bidar and Bhalki Divisions to end of March 2008 disclosed stock costing Rs 1.75 crore were lying un-utilised since 2003-04. These included high cost

[17] 2000-01 to 2005-06: 24 cases; 2007-08: 01 case

items (Rs 1.25 crore) procured up to September 2003. Further, sanction for reserve stock limit had not been obtained from competent authority for the years 2006-07 to 2008-09 and half yearly stock account for the year 2008-09 had not been maintained. Government stated (September 2009) that action has been initiated by the Chief Engineer to utilise the surplus stock.

2.3.6 Cost control cell

Cost control cell did not function despite directions of PAC

Ministry of Agriculture and Irrigation (November 1978) had directed setting up of a cost control cell for all projects costing more than Rs 30 crore with the objective of identifying the performance of both labour and machineries, preparation and revision of project estimates based on cost indices, preparation of cost curves for canals and review of expenditure on the project annually to assess the project costs. As no cost control cell was created till October 1997, the State PAC in its 2nd report of 11th Assembly (October 2000) directed the Government to set up cost control cell both at the Project level and at the State level. Though, cost control cells were formed in May 2004 both at State and Project level, no review meetings were held. Thus, the objectives of forming cost control cells were not fulfilled. Government agreed (September 2009) to conduct meetings in future.

2.3.7 Conclusion

The project which envisaged to irrigate 35,614 ha of land at a cost of Rs 9.90 crore could not be completed despite revising the cost to Rs 532 crore and even after 38 years of its commencement. The irrigation potential was also revised downwards to 29,227 ha due to drastic reduction in the inflow of water into the reservoir and the maximum area irrigated at the end of March 2009 with an outlay of Rs 481.10 crore was only 1,040 ha. The benefit cost ratio was reduced to 0.26 rendering the project economically unviable. Despite the reduced inflow of water, the Department was contemplating to execute additional works at a cost of about Rs 52 crore to create an additional irrigation potential of 6,434 ha which may not prove fruitful.

2.3.8 Recommendations

- The State Government should reconsider the execution of the additional works in view of reduced availability of water for irrigation.
- Expeditious action should be taken to dispose of the surplus stock to avoid their damage, deterioration or theft.

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Chapter 3

Audit of Transactions

Audit of transactions of the Government Departments, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

3.1 Non-compliance with the Rules

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. Some of the audit findings on non-compliance with rules and regulations are hereunder:

LABOUR DEPARTMENT

3.1.1 Release of grant-in-aid without observance of procedure

Action of the Directorate of Employment and Training to admit 16 private Industrial Training Institutes to grant-in-aid before completion of the mandatory seven year period resulted in violation of the Grant-in-Aid Code and irregular payment of grant-in-aid of Rs 1.12 crore.

The Grant-in-Aid Code for private Industrial Training Institutes, 1997 (GIA Code) which came into force from 1 November 1997 provided that all private Industrial Training Institutes (ITIs) affiliated to National Council for Vocational Training, New Delhi (NCVT) were eligible for Grant-in-Aid (GIA) subject to the condition that all trades and units were functioning continuously for a period of not less than seven years after their affiliation to NCVT.

The GIA admissible in the form of salary grants at the rate of 75 *per cent* of the gross salary was payable to the staff of eligible institutions and the remaining 25 *per cent* was to be borne by the concerned institutions/ management. The GIA was reduced to 70 *per cent* from 1 April 2001 and later enhanced to 85 *per cent* with effect from 16 January 2007 and 100 *per cent* from 1 October 2007.

Records of the Joint Directors of Employment and Training of Bangalore, Mysore, Hubli and Gulbarga Divisions and the Directorate of Employment and Training, Bangalore revealed (May 2009) that 16 private ITIs were admitted (November 1997-April 2001) to the GIA scheme before completion of seven years from the date of their affiliation to NCVT. Two trades in one private ITI in Gulbarga were admitted to GIA even before the affiliation of the ITI to NCVT.

Salary grant of Rs 1.12 crore was paid to these institutions against the posts sanctioned under the respective trade/unit for ineligible period (**Appendix-3.1**) which was irregular. The incumbents were also allowed the benefit of the increment with reference to the pay fixed during the ineligible period. The irregular payment of GIA on this account up to the end of March 2009 worked out to Rs 8.58 lakh (**Appendix-3.2**). Action of the departmental officers to admit the ITIs to GIA scheme before their affiliation to NCVT/ completion of seven years had a recurring effect on the pay and allowances of the incumbents in future also and as such needed immediate rectificatory action.

The Government in reply accepted (August 2009) the audit findings in respect of Bangalore, Mysore and Hubli divisions. Confirmation of audit findings in respect of Gulbarga division communicated separately was awaited (December 2009).

PRIMARY AND SECONDARY EDUCATION DEPARTMENT

3.1.2 Non-compliance with the Planning Commission guidelines leading to diversion of funds

In violation of Planning Commission guidelines, the Director of Vocational Education diverted Rs 1.97 crore earmarked to provide extra coaching and to supply study material to students belonging to Scheduled Castes and Scheduled Tribes to meet salary expenditure for regular staff.

Special Component Plan (SCP) and Tribal Sub Plan (TSP) are designed to channelise the flow of funds from the general sector to schemes for development of Scheduled Castes (SC) and Scheduled Tribes (ST). According to the guidelines issued (October 2005) by the Planning Commission, the State Government was to formulate action plans for schemes which would directly benefit individuals or families belonging to SC and ST. Funds under the schemes were not to be diverted or allowed to lapse.

Scrutiny (December 2008) of records of the Director of Vocational Education (Director) revealed that Rs 2.47 crore was released (April 2007) by the Government to the Director under SCP (Rs 1.76 crore) and TSP (Rs 0.71 crore) for the year 2007-08. Out of this, Rs 1.97 crore was payable towards honoraria to the teachers who imparted extra coaching to SC and ST students and to supply study material to the students so as to enable them to perform better in the examinations. The balance was earmarked for improvement to infrastructure in schools.

The Director instead of proposing an action plan to utilise these funds as per the guidelines submitted (August 2007) a proposal to utilise an amount of Rs 1.43 crore under SCP and Rs 54 lakh under TSP to meet the salary/remuneration expenditure in respect of selected courses although the expenditure on this account was to be met out of general budgetary provisions. The State Government approved (August 2007) the proposals of the Director and funds were released (September-November 2007) to the concerned colleges resulting in diversion of funds earmarked for providing extra coaching and study material to SC/ST students.

In view of decline in the pass percentage of SC/ST students from an average 74.10 *per cent* (2002-04) to an average 57.72 *per cent* (2005-07), it was all the more essential for the department to ensure extra coaching and additional study material to the SC/ST students.

The Government in reply stated (July 2009) that the funds under SCP and TSP were utilised, as sufficient funds were not available, during the early period of 2007-08 in the regular budget. The reply was not justifiable as these funds were meant for imparting extra coaching and to provide study material to the SC/ST students and their diversion resulted in denial of the direct benefits contemplated by the schemes.

FOREST, ECOLOGY AND ENVIRONMENT DEPARTMENT

3.1.3 Non-compliance with CAMPA directions leading to non-recovery of Net Present Value

Net Present Value of Rs 13.97 crore was not recovered from user agencies by two forest divisions on transfer of 157.32 hectares of forest land for non-forest purposes.

As per Forest Conservation Act, 1980, prior approval of Government of India (GOI) is required for diversion of forest land for non-forest purpose which is given in two stages *i.e.*, "in-principle approval" and "final approval". GOI issued guidelines (September 2003) for collection of Net Present Value (NPV) from user agencies at the rates ranging from Rs 5.80 lakh to Rs 9.20 lakh per hectare (ha) of forest land diverted where "in-principle approval" was granted after 30 October 2002. Later, the Compensatory Afforestation Fund Management and Planning Authority (CAMPA)[1] clarified (October 2006) that the NPV should be recovered in all cases of diversion of forest land where "final approval" was granted on or after 30 October 2002.

Scrutiny of records (January 2008 and February 2009) of Deputy Conservator of Forest, (DCF)[2] revealed that in two cases "in-principle approval" for diversion of forest land *viz.*, 129.60 ha to Karnataka Niravari Nigam Limited (KNNL) and 27.72 ha to Karnataka Power Transmission Corporation Limited (KPTCL) was granted before 30 October 2002. The "final approval" for diversion of forest land was granted during March 2004 and June 2004 respectively. However, NPV of Rs 13.97 crore (Rs 11.92 crore from KNNL and Rs 2.05 crore from KPTCL) from these two user agencies was not recovered even though final approval was granted after 30 October 2002.

KNNL stated to DCF (October 2008) that it was exempted from payment of NPV as per the orders[3] issued by the State Government while KPTCL

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[1] An ad-hoc body constituted by the Supreme Court of India
[2] Dharwad and Kundapur respectively
[3] GO dated 24 January 2005 for granting final approval and corrigendum dated 7 January 2006 exempting from payment of NPV

maintained that NPV was payable only in cases where "in-principle approval" was granted after 30 October 2002. The reply is not acceptable since the "final approval" for diversion of forest land was granted only after 30 October 2002. Hence, both the agencies *i.e.*, KNNL and KPTCL were liable to pay NPV of Rs 13.97 crore. In view of clarification (October 2006) issued by CAMPA, the State Government was required to withdraw the corrigendum earlier issued in respect of KNNL to facilitate recovery of the amount. In respect of KPTCL, a demand notice was issued by DCF after being pointed out by Audit.

Thus, failure of the Department to comply with CAMPA guidelines resulted in non-recovery of NPV of Rs 13.97 crore from the user agencies.

The matter was referred to the Government in February 2009; reply had not been received (December 2009).

PUBLIC WORKS, PORTS AND INLAND WATER TRANSPORT DEPARTMENT (COMMUNICATION AND BUILDINGS) & HOME DEPARTMENT

3.1.4 Violation of codal provision resulting in avoidable expenditure

Stoppage of work without orders from competent authority resulted in an avoidable extra expenditure of Rs 45.42 lakh.

Paragraph 211 (a) of Karnataka Public Works Departmental Code Volume I, lays down that the Public Works Department (PWD) should obtain prior sanction of competent authority for all deviations during execution of works involving additional cost, material modification to original plans and designs for the works, taken up on behalf of other departments.

The work of upgradation of the District Prison, Mangalore to Central Prison was entrusted to the Executive Engineer (EE), PWD, Mangalore as Deposit Work. Based on the perspective plan approved by the Empowered Committee, Stage I involving construction of men's barracks and compound wall was administratively approved (December 2004) for Rs 1.89 crore by the Director General of Police and Inspector General for Prisons, Bangalore. The work was awarded (August 2005) by the EE to a contractor at a cost of Rs 1.79 crore[4] for completion in 24 months.

Records of the Division revealed (April 2009) that during execution, a resolution was adopted in a meeting held (April 2006) by the Minister, District in-charge for relocation of the prison[5] and stoppage of the work by EE as it was located in the centre of city. Based on oral instructions from the Additional Director General of Police and Inspector General of Prisons, the EE stopped the work in April 2006. The contractor was paid Rs 37.46 lakh (June 2006). The action taken by EE to stop the work was not in conformity

[4] At a tender premium of 14 *per cent*

[5] Located in centre of the city

with codal provisions. When the matter was referred (May 2006) by EE, the Government ordered (December 2006) to restart the work on the ground that expenditure had already been incurred thereon. As stoppage of work was for more than six months, a supplementary agreement was concluded (December 2007) at higher rates with the same contractor for Rs 2.18 crore for balance works in terms of the agreement. The additional liability due to revision of rates worked out to Rs 75.99 lakh, out of which, Rs 45.42 lakh (**Appendix-3.3**) had been paid (December 2008) to the contractor.

Thus, the decision to stop the work by EE before referring the matter to Government (Administrative Department) for appropriate orders, in violation of codal provisions, resulted in avoidable extra expenditure of Rs 45.42 lakh.

The matter was referred to Government in PWD (May 2009) and Home Department (September 2009); reply had not been received (December 2009).

REVENUE DEPARTMENT

3.1.5 Diversion of calamity relief funds in violation of prescribed guidelines

Deputy Commissioner, Gadag in defiance of norms prescribed by Government of India diverted Rs 81.60 lakh out of Calamity Relief Fund to construct compound wall around the District office complex, to repair roads and to furnish his official residence.

The guidelines issued (July 2002 and June 2005) by the Government of India on Calamity Relief Fund (CRF) provided that the fund should be used for providing immediate relief to the victims of a natural calamity such as cyclone, drought, earthquake, fire, flood, hailstorm, land slide, *etc.* The emergency works were to be taken up with the prior approval of the State Level Committee (SLC) constituted for the administration of CRF. The guidelines further stipulated that the expenditure on restoration of damaged infrastructure such as roads, bridges, drinking water supply *etc.,* should ordinarily be met from normal budgetary heads.

Scrutiny (February 2009) of records of Deputy Commissioner (DC), Gadag revealed that an expenditure of Rs 81.60 lakh was incurred (March 2007-January 2008) out of CRF for construction of a compound wall (Rs 48.18 lakh), furnishing the DC's quarters (Rs 4.92 lakh), providing water supply and drainage to other residential quarters (Rs 13.63 lakh) and repairs to the road damaged due to rains (Rs 12.22 lakh), besides payment of service charge (Rs 2.65 lakh) to Karnataka Housing Board.

None of the works executed was of the nature of providing immediate relief to the victims of a natural calamity as provided in the guidelines. The expenditure was also not approved by the SLC. Execution of the works by the DC out of CRF was therefore, not in order and constituted irregular diversion of Rs 81.60 lakh.

On this being pointed out, the Government accepted (June 2009) the audit observation and stated that the diverted amount would be recouped to the CRF. However, the amount was yet to be recouped (December 2009).

URBAN DEVELOPMENT DEPARTMENT

3.1.6 Avoidable expenditure due to non-observance of IRC specifications

The injudicious action of the Bangalore Development Authority to bring soil from a "borrow" area instead of utilising the excavated soil at the site for construction of a road embankment resulted in avoidable expenditure of Rs 52.99 lakh.

The Bangalore Development Authority (BDA) awarded (March 2006) the work of improvements to the road from Ganesh Temple to Kanakapura Road at Konanakunte Cross via Jambusavaridinne in Bangalore to a contractor at a cost of Rs 12 crore and got it completed (June 2008) at a cost of Rs 11.26 crore. The work included earth excavation for roadway; earth excavation for foundation and formation of embankment by obtaining soil from borrow pits. The contractor brought 18,474.32 cum of earth from the borrow areas involving a lead of 25 km for construction of embankment and was paid Rs 30.42 lakh. The contractor was also paid Rs 22.57 lakh for transportation and disposal of 18,474.32 cum of the excavated material.

Records revealed that the BDA while preparing the estimate did not consider construction of embankment with the available excavated earth by conducting requisite tests. BDA did not ascertain the suitability of the available earth before rejecting it, as required under the Indian Roads Congress (IRC) specifications for construction of road embankments. The injudicious action of the BDA resulted in avoidable expenditure of Rs 52.99 lakh (**Appendix-3.4**) on transportation of earth to and from the site of work.

Government contended (August 2009) that the excavated earth had been choked up with silt and other debris which could not have been used for embankment. The reply was not justified as the contractor had excavated more than 60,000 cum of earth and rejection of the entire available earth signified wilful deviations from the rules and procedure, resulting in avoidable financial burden to the Government. The lapses of the authorities in the instant case may, therefore, be got investigated and the results thereof intimated to Audit.

3.2 Audit against Propriety/Expenditure without justification

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure, some of which are hereunder.

COMMERCE AND INDUSTRIES DEPARTMENT

3.2.1 Delay/inaction of the department leading to loss of dividend income

Inaction of Commerce and Industries Department for over four years to act on the proposal of a public sector advertising company to allot shares to the Government and failure to levy Business Development Cost resulted in loss of dividend income of Rs 58.77 lakh and potential loss of Rs 10.04 crore.

Marketing Consultants and Agencies Limited is a State Government advertising company. The Government issued orders from time to time to various State Government Public Sector Undertakings (PSUs) to make use of the company for all their publicity/ advertisement requirements and to provide automatic empanelment of company as an advertising agency. As the company enjoyed the patronage of the Government, it was ordered (November 1998) that the company should pay to the Government, Business Development Cost (BDC) at eight *per cent* of its gross turnover from the financial year 1997-98 to 2001-2002. The Government allowed the company to retain the BDC payable on this account, as equity and allot the shares to their holding company *ie.,* Mysore Sales International Limited. For the year 2002-03 and 2003-04, the Government directed the company to allot the shares to the Government directly. The company sought (February 2005) approval of Government for allotment of shares at a premium of Rs 200 against the BDC of Rs 3.46 crore retained for the years 2002-03 and 2003-04. As the Government did not convey approval, the company retained the amount as share application money without allotment of shares (May 2009). The Government did not also issue orders levying BDC beyond the year 2003-04 and no reasons were forthcoming in this regard (May 2009).

Scrutiny (June 2008) of records revealed:

(i) Though the company had reminded (February 2005 to October 2008) the Government, several times to communicate approval for allotment of shares, the proposal of the company was acted upon only in February 2009 when the concurrence of the Finance Department (FD) was sought by the Commerce & Industries (C&I) Department. The FD returned (May 2009) the proposal for a fair recent assessment of share value as the proposal was more than five years old. Consequently, the BDC of Rs 3.46 crore for the period 2002-04 could not be converted into equity shares and the dividend income of Rs 58.77 lakh thereon for the period 2003-08 payable to the Government was foregone (**Appendix-3.5**).

(ii) The Government also did not issue orders levying BDC for the year 2004-05 and onwards although circulars were issued to all the State PSUs, Government Departments and Local Bodies, *etc*., reiterating the necessity to entrust all their publicity/advertising works to the company. Reasons for not initiating any action in the matter by the Government were not forthcoming. Consequently, there was a potential loss of revenue of

Rs 10.04 crore to the Government due to non-levy of BDC for the period 2004-09 (**Appendix-3.6**).

Government in their reply stated (September 2009) that it had been decided to purchase the shares of the company as per the recent valuation and that BDC would be levied in consultation with the FD. The fact, however, remained that the delay was not justified and the authorities failed to exercise the same vigilance to safeguard the financial interest of the Government as a person of ordinary prudence would exercise in respect of his own money, leading to an irrecoverable loss of Rs 58.77 lakh. The lapses may, therefore, be got investigated independently and results thereof intimated to Audit.

HIGHER EDUCATION DEPARTMENT

3.2.2 Payment of overtime allowance without fixing work norms

Bangalore University paid overtime allowance of Rs 2.22 crore to the employees of the University Printing Press during the period 2002-09 without fixing work norms for such payments.

The Bangalore University Senate resolved (March 1998) to pay the employees of the University Press, Overtime allowance (OTA) and forwarded the same to Government (April 1998) for assent of the Chancellor. The Chancellor of the University withheld assent (June 1998) reiterating the earlier instructions against payment of OTA and directed the University to recover the OTA already paid. The University continued to make OTA payments to which the Government objected (June 2002) and directed the University to pass a statute providing for payment of honorarium, if felt necessary. The University did not comply with the directions of the Government but resolved (October 2002) to sanction OTA to the employees of the University Press.

Records revealed (February 2009) that the University did not evolve any work norms to determine and enforce the work output by the employees during normal working hours and to ensure that the output achieved during the extra working hours was commensurate with the OTA payments made. The University Press employees had been paid OTA of Rs 2.22 crore on all the working days (after working hours) and on closed holidays during the seven year period from 2002-09 except for 127 days. The University Press did not also maintain basic records such as time sheets, job cards, *etc*., to verify the authenticity of the claims regarding the work output and the OTA payments.

The University Press had three working printing machines whose collective installed capacity was 10,000 impressions per hour and 70,000 impressions per day of seven working hours. As against this, the press had achieved a total output of only 36,000 impressions per day which was only 51 *per cent* of the expected output during the normal working hours. As such, payment of OTA on a regular basis was not justified.

Thus, payment of OTA of Rs 2.22 crore to employees of the University Press without evolving work norms and maintaining basic records was irregular.

On this being pointed out, the Government directed (August 2009) the University to recover the OTA from the employees immediately.

3.2.3 Procurement of higher bandwidth without adequate infrastructure leading to wasteful expenditure

Procurement of higher bandwidth for improving internet connectivity in its campuses by Bangalore University without assessing the capacity of the existing equipment resulted in its under-utilisation and wasteful expenditure of Rs 85.85 lakh.

The Technical Committee of Bangalore University (BU) in order to provide reliable and fast internet access in their two campuses *viz.*, Central College (CC) and Jnana Bharathi (JB) decided (March 2004) to obtain from BSNL two internet circuits each with a bandwidth of two mega byte per second (Mbps) to JB campus and another internet circuit of two Mbps bandwidth to CC. A bandwidth of six Mbps was obtained (April 2004) on payment of Rs 46.01 lakh towards internet port charges (rentals), service tax, security deposit, *etc*. One more circuit was also obtained to connect the two campuses (JB and CC) but this circuit had not been utilised and only lead charges were paid to BSNL. During the period 2005-09, BU paid a total amount of Rs 1.22 crore as internet port charges **(Appendix-3.7).**

The BU appointed a committee to look into the functioning of campus networking in the neighbouring universities *viz.*, University of Agricultural Sciences, Bangalore (UASB) and Indian Institute of Science (IISc), Bangalore. The committee observed (April 2006), *inter alia*, that the entire campus of UASB with as many as 300 computers was having only two internet circuits, one with a bandwidth of 512 Kbps[6] and the other with 256 Kbps. On noticing this, the BU approached (August 2006) the BSNL to reduce the bandwidth of both the internet circuits connecting JB from four Mbps to one Mbps and to reduce bandwidth of two Mbps to one Mbps in respect of the circuit connecting CC campus. The BU also demanded refund of port charges of Rs 27.52 lakh paid for the period April 2004 to March 2006 on the ground that one internet circuit connecting JB was not activated and as such had not been utilised. While the BSNL reduced the bandwidth to two Mbps as requested by BU, the demand for refund of Rs 27.52 lakh was not conceded on the ground that the circuit was in fact activated but only underutilised.

Records revealed (February 2009):

- The existing telephone exchange in JB through which internet connectivity had been established could support a maximum bandwidth of only 2.3 Mbps as against four Mpbs obtained. The equipment (DSLAM) used in the exchange could connect a maximum 48 ports only in the absence of Wide Area Network/Local Area Network in the campus. Obtaining four Mpbs bandwidth to JB thus, proved wasteful during the period April 2004 to March 2006.

[6] One Mbps = 1,024 Kilobytes per second (Kbps)

- A bandwidth of only one Mbps was found sufficient as the BU could have utilised the leased line procured for connecting both JB and CC by obtaining a single internet circuit of one Mbps. The internet port charges for a bandwidth of one Mbps were only Rs 36.39 lakh as against Rs 1.22 crore paid by the BU during the period April 2004 to March 2009.

Thus, procurement of higher bandwidth without assessing the capacity of the existing telephone exchange and the equipment resulted in under-utilisation of internet connectivity and a wasteful expenditure of Rs 85.85 lakh (**Appendix-3.7**) thereon.

The BU in reply stated (April 2009) that as it was to face the National Assessment and Accreditation Council for its accreditation and as the time available was very short, the Technical Committee decided to implement connectivity through telephone lines adopting the suggestions of BSNL. The reply was not justified as BU should have taken advance action to face the accreditation process. The reply also confirmed that the project was implemented without any planning and assessment of technical feasibility.

The matter was referred to Government in April 2009; reply had not been received (December 2009).

PUBLIC WORKS, PORTS AND INLAND WATER TRANSPORT DEPARTMENT – COMMUNICATION AND BUILDINGS

3.2.4 Avoidable expenditure due to underestimation of quantity of steel

The requirement of structural steel assessed as per architectural drawings instead of structural design drawings led to its under assessment. This necessitated revision of quantity after entrustment of work resulting in avoidable extra expenditure of Rs 1.30 crore due to payment for additional quantity at higher rates.

Paragraph 211 of Karnataka Public Works Departmental Code Volume-I provides that no work shall be commenced unless detailed design and estimate have been sanctioned.

The construction of a common computerised check-post at Attibele in Bangalore district was administratively approved (May 2003) by the Government and technically sanctioned (February 2004) by the Chief Engineer, Communication and Buildings (South), Bangalore (CE) for Rs 31.95 crore. The work was awarded (August 2005) to a firm for Rs 37.32 crore at a tender premium of 14.50 *per cent* for completion by September 2006. Extension of time was granted (January 2009) upto May 2009 as there was delay in handing over of entry terminal portion of land, delay in supply of approved designs and increase in quantity of several items of work.

Scrutiny of records (March 2008 and February 2009) of Executive Engineer, Public Works Division, Bangalore (EE) revealed that sanctioned estimate, *inter alia*, included an item "providing, fabricating and erecting steel columns and tubular roof trusses for computer terminal and godown" for which the requirement of steel was assessed at 179.80 tonne. The quantity of steel was assessed on the basis of architectural drawing (February 2004) and tentatively assumed at 25 kg/sqm for computer terminal and 22 kg/sqm for godown. The quantity of steel was to be assessed on the basis of structural design drawings which would have given the actual requirement of steel. The structural design drawings were not finalised before commencement of work but during execution of the work. Consequently, the requirement of steel was revised from 179.80 tonne to 547.71 tonne constituting an increase of 204 *per cent* over and above quantity initially assessed.

Due to increase in quantity of work, revised rate was payable for the quantity exceeding 125 *per cent* of the tendered quantity as per the terms of the agreement. Accordingly, Superintending Engineer approved (August 2007) the revised rate of Rs 90.40 per kg against the tender rate Rs 50 per kg. The differential rate of Rs 40.40 per kg for 322.96 tonne (547.71 tonne *minus* 224.75 tonne) of steel resulted in avoidable extra expenditure of Rs 1.30 crore, out of which Rs 1.02 crore had already been paid.

The EE admitted (February 2009) that during estimation only architectural drawings were available and hence the quantities were worked out tentatively on area basis. The reply was not acceptable as a period of nine months between administrative approval (May 2003) and technical sanction (February 2004) was available to finalise structural design drawings. Thus, failure of the Department to prepare realistic estimate before tendering of work, resulted in an avoidable extra expenditure of Rs 1.30 crore on account of payment at higher rates.

The matter was referred to the Government in February 2009; reply had not been received (December 2009).

URBAN DEVELOPMENT DEPARTMENT

3.2.5 Non-observance of regulations resulting in unintended benefit to the contractor

The Karnataka Urban Water Supply and Drainage Board erroneously refunded Rs 1.40 crore to the contractor towards Central Excise Duty on pipes used in a water supply scheme although the pipes were procured free of Duty on the basis of exemption certificates issued by them.

The Combined Water Supply Scheme to Hagaribommanahalli, Kudligi and Kottur towns of Bellary district entrusted (November 2004) to a contractor at a cost of Rs 31.73 crore envisaged, *inter alia,* procurement of mild steel (MS) pipes. The pipes were fully exempt from central excise duty (CED) in terms of Notification issued (September 2002) by the Government of India and the Karnataka Urban Water Supply and Drainage Board (Board) was required to furnish exemption certificates issued by the jurisdictional Deputy Commissioner to the contractor to enable him to procure the pipes free of CED.

The contractor accordingly procured 70,580 rmt of MS pipes of different diameters at a cost of Rs 12.41 crore on the basis of exemption certificates issued by the Board. The Board recovered (March 2006-November 2007) Rs 1.98 crore towards CED at 16 *per cent ad-valorem* as the rates quoted by the contractor were inclusive of all taxes, duties and other levies. However, the contractor contended that only Rs 54.61 lakh was recoverable on this account as the manufacturer had loaded the basic cost of the pipes with the Central Excise Value Added Tax (CENVAT) element. The Board accepting this contention worked out the recoverable amount at Rs 58.18 lakh and refunded (April 2008) Rs 1.40 crore to the contractor on the ground that the benefit of CED exemption was only 5.21 *per cent* of the basic cost of MS pipes.

Scrutiny of invoices, however, revealed (October 2008) that the pipes were procured by the contractor free of CED against production of exemption certificates and the CENVAT element, if included in the basic cost of the pipe, was not evident. As such, there was no liability to refund the CED already recovered from the contractor and the injudicious decision to refund Rs 1.40 crore resulted in unintended benefit to the contractor.

Government in their reply contended (June 2009) that the exemption from CED was to the extent of 5.21 *per cent* only on the basic cost as the manufacturer had added the balance 11.11 *per cent* to the basic cost and the refund was in order. The reply was not justifiable as the Board had already reimbursed the basic cost of the pipes including CENVAT element and as such, there was no liability to refund the CENVAT element to the contractor. Moreover, reimbursement should have been strictly as per invoices produced by the contractor. Thus, the refund of Rs 1.40 crore resulted in an unintended benefit to the contractor.

WATER RESOURCES DEPARTMENT – MINOR IRRIGATION

3.2.6 Lack of adequate defence of the arbitration case leading to avoidable payment to contractor

Failure to forestall a settled dispute for arbitration again and to produce relevant records before third arbitrator resulted in the third arbitrator awarding the claim in favour of the contractor. This led to an avoidable payment of Rs 50.21 lakh towards price adjustment and interest thereon in construction of canal of a minor irrigation tank in Kanakapura taluk.

The agreement[7] (clause 52) for construction of right bank canal of Ravathanahalla tank, Kanakapura taluk, including cross drainage works from km 13.50 to 18.70, provided for settlement of differences/disputes between the parties by referring to a sole arbitrator as per provisions of Arbitration Act in force (Act).

The work was awarded (November 1986) to a contractor on tender basis by Executive Engineer, Minor Irrigation Division, Bangalore (EE) at his tendered

[7] Local Competitive Bidding (LCB)

cost of Rs 3.56 lakh for completion by August 1987. The contractor could not complete the work within the stipulated time due to increase in quantum of work and non-handing over of uninterrupted site to the contractor for execution of work. The work was completed in May 1994 and final bill was paid (Rs 19.59 lakh) in July 1995. The contractor had put forth various claims which were referred to three separate arbitrators (March 1991, November 1996 and September 2000) and Rs 2.72 crore was paid[8] as per three awards, inclusive of interest.

Records of the Division revealed (March 2008) that the contractor's claims before the first Arbitrator included a claim for payment cost escalation/price adjustment. The arbitrator rejected this claim and held (November 1993) that the price escalation clause in the agreement stood deleted before the agreement was signed by both the parties based on the documents produced before him by the department and hence that clause was not applicable. The contractor did not challenge this award in a Court. While preferring his claims before the third arbitrator, the contractor again made a claim for cost escalation/price adjustment, which the Department did not dispute and thereby the clause stood referred to an arbitrator for a second time. The Department also did not produce those records produced to the first arbitrator before the third arbitrator. Further, as per the High Court decision[9], a dispute once referred to arbitration and considered in an award does not survive for another reference. It becomes extinguished and merged in the award in which it was considered. Thus, failure of the Department to forestall a settled dispute regarding price adjustment which was again brought up for arbitration and non-production of relevant records before the third arbitrator resulted in the third arbitrator awarding the claim in favour of the contractor. This led to an avoidable payment of Rs 50.21 lakh[10] towards price adjustment and interest thereon.

The matter was referred to Government (May 2009); reply had not been received (December 2009).

3.2.7 Avoidable expenditure due to defective survey and non-observance of contractual provisions

Failure to conduct proper survey and investigation resulted in extra expenditure of Rs 17.95 lakh due to payment of additional quantities of work at revised rates and Rs 9.31 lakh on escalation charges in violation of contractual provisions.

The construction of tank at Kollibachaluhalla near Gilalagundi village in Sagar taluk was awarded (May 1998) to a contractor at his tendered cost of Rs 57.65 lakh for completion in 24 months. The construction could not be taken up due to non-clearance of land by the Forest Department. The work

8 December 1995 (First award - Rs 20.39 lakh), June 2001 (Second award - Rs 71.86 lakh) and between July 2003 and March 2007 (Third award - Rs1.80 crore)

9 In MS Ramaiah *Vs* State of Mysore AIR 1973 MYS 17:1973

10 Price adjustment of Rs 15.77 lakh plus interest of Rs 34.44 lakh at 18 *per cent* per annum on Rs 15.77 lakh from 15.09.1994 to 30.10.2006

was re-entrusted (May 2004) to the same contractor for Rs 79.03 lakh. As of September 2008, the work was in progress and payment of Rs 2.02 crore was made to the contractor.

Records revealed that the project sanctioned (1994) by the Government for Rs 39 lakh was for an earthen dam. The earthen dam was changed to a concrete dam after inspection of site by Chief Engineer (CE) during 1995. Accordingly, the estimate was modified and approved by Government in August 1997 for Rs 78 lakh. It was noticed that the estimate of the concrete dam was prepared by utilising the results of trial pits of two metre depth taken for the earthen dam though "Guidelines for Minor Irrigation Tanks" and IS code[11] recommended core drilling for subsurface exploration of river valley projects to obtain maximum possible data on the substrata. During execution the hard strata was not met at two metres depth as assumed and CE instructed (December 2004) to take trial bores. The trial bores results revealed that hard strata were available at seven metre depth. The change in the foundation levels resulted in additional quantities of excavation and other items of work. The additional quantities in excess of 125 *per cent* of tendered quantities were payable at revised rates as per Clause 13(b) of the agreement. Accordingly, the per cubic metre rate for additional quantity executed (in excess of 125 *per cent*) in respect of German concrete from Rs 1,215.59 was revised to Rs 1,678.74 for 3,494.22 cum and for laying cement concrete 1:2:4 from Rs 2,260.03 to Rs 2,550.43 for 609.56 cum. This resulted in an avoidable extra expenditure of Rs 17.95 lakh.

Further, Clause 44 of standard contract form (PWG 65) provides for price adjustment in respect of works where stipulated period of completion exceeded 24 months and the tendered cost of the irrigation works exceeded Rs 100 lakh. This was not applicable to this contract as stipulated period of completion did not exceed 24 months and tendered cost was Rs 79.03 lakh. However, an amount of Rs 12.41 lakh was assessed towards price adjustment and Rs 9.31 lakh paid by the Executive Engineer (March 2008) in violation of contractual provisions.

Government stated (September 2009) that trial bores could not be taken earlier as Forest Department objected to movement of vehicles and machineries and result of trial pits taken for earlier estimate of earthen dam was adopted in the estimate for construction of concrete dam also. It further stated that amount paid towards price adjustment was as per clause contained in the original agreement (1998) and hence admitted. The reply is not tenable as a period of more than one year was available to the department for conducting fresh investigations and taking trial bores. Original contract amount was Rs 57.65 lakh with period of completion as 24 months which was revised to Rs 79.03 lakh retaining the completion period of 24 months. As condition relating to the amount and period of contract was not met, the price adjustment clause was not applicable.

[11] IS 6926-1973 and reaffirmed in 1991

3.3 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It becomes pervasive when it is prevailing in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is not only indicative of non-seriousness on the part of the executive but is also an indication of lack of effective monitoring. This in turn encourages wilful deviations from observance of rules/regulations and results in weakening of the administrative structure. Some of the cases reported in Audit about persistent irregularities have been discussed below:

FINANCE DEPARTMENT

3.3.1 Excess Payment of Family Pension

Karnataka Government's (Family Pension) Rules, 1964, provide that when a Government servant dies while in service, his/her family is entitled to family pension at double the normal rate or 50 *per cent* of the pay last drawn by the deceased Government servant whichever is less, for a period of seven years from the date following the date of death or till the date on which the Government servant would have attained the age of 65 years had he/she remained alive, whichever is earlier.

Mention was made in the Reports of the Comptroller and Auditor General of India (Civil) every year on the excess payment of family pension due to failure of the banks to strictly regulate the payment as per Rules. Non-observance of rules by the banks and excess payments continued nevertheless.

During 2008-09, in 841 cases relating to 28 district treasuries, public sector banks made payment of family pension at enhanced rate beyond the period indicated in the Pension Payment Orders resulting in excess payment of Rs 2.15 crore (**Appendix-3.8**). The Government did not enforce the provisions of indemnity bonds executed by the Public Sector Banks for the recovery of excess payments made.

The matter was referred to Government in July 2009; reply had not been received (December 2009).

3.4 Failure of oversight/Governance

The Government has an obligation to improve the quality of life of the people for which it works towards fulfilment of certain goals in the area of health, education, development and upgradation of infrastructure and public service *etc*. However, Audit noticed instances where the funds released by Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. A few such cases have been discussed below.

FOREST, ECOLOGY AND ENVIRONMENT DEPARTMENT

3.4.1 Restoration of a lake without arresting inflow of untreated sewage into it leading to wasteful expenditure

Failure of the Lake Development Authority to arrest flow of sewage into Jaraganahalli lake resulted in wasteful expenditure of Rs 3.63 crore on restoration works.

Government of India (GOI) under the National Lake Conservation Plan accorded (February 2002) administrative approval and expenditure sanction for restoration of Jaraganahalli lake in Bangalore by the State Forest Department at a cost of Rs 3.36 crore. The restoration works comprised de-silting of tank, diversion of sewage, construction of dropwall for wetlands, chain link fencing, water boat jetty and waste weirs to clean the lake polluted by direct discharge of sewage and to render it free from pollution. The cost of the project was to be borne by GOI and State Government in 70:30 ratio with the share of GOI as Rs 2.37 crore and that of State Government as Rs 99 lakh.

The GOI sanction was, *inter alia*, subject to the condition that the State Government would ensure that no untreated sewage was discharged into the lake during and after execution of restoration works. The State Government conveyed (March 2003) administrative approval and technical sanction to the project at a revised cost of Rs 3.91 crore to accommodate increased cost of desilting, diversion of sewage, chain link fencing, *etc.* The Lake Development Authority (LDA) entrusted (August 2003) the above works (except diversion of sewage flow) to a contractor at his tendered cost of Rs 2.14 crore for completion by December 2004. The diversion of sewage was entrusted (August 2003) to Bangalore Water Supply and Sewerage Board (BWSSB) at a cost of Rs 40 lakh. The work entrusted to the contractor was completed in August 2004 and he was paid (November 2006) Rs 3.23 crore in view of increase in scope of work due to additional quantities in desilting, waste weir, *etc.* The BWSSB completed the diversion works during January 2004.

Audit scrutiny (April 2009) revealed:

(i) Due to inadequate slope provided in the new pipeline constructed to divert the sewage, the flow was not smooth leading to frequent heading up of sewage in the lateral lines. The pipeline/manholes were therefore, damaged by the local residents resulting in discharge of sewage directly into the lake. When the lake was inspected by the LDA during June 2004, it was found that sewage was continuously entering the lake from the southern side. Despite the continued discharge of sewage into the lake, the contractor completed other restoration works (August 2004).

(ii) When LDA inspected the lake during February 2009, it was full of weeds and untreated sewage was flowing unchecked from all directions. The lake was found to be in a deplorable condition. The civil authorities *viz.*, Bangalore Mahanagara Palike and City Municipal Council, Bommanahalli had taken up construction of a storm water drain through the lake bed damaging the restoration works executed by the contractor. The private apartments and households in the vicinity were discharging sewage directly into the lake.

Lake is covered by weeds– December 2009

Thus, action of the LDA to take up restoration works without adequately arresting the flow of untreated sewage into the lake rendered the expenditure of Rs 3.63 crore incurred thereon wasteful as the lake could not be protected from pollution and the objectives of its restoration were not achieved.

Government in their reply stated (September 2009) that Detailed Project Report approved by GOI did not contain sufficient measures for preventing inflow of sewage into the lake. The reply was not justified as the LDA could have taken up the matter with the Government and ensured total arrest of untreated sewage as prescribed by GOI before taking up the restoration works.

URBAN DEVELOPMENT DEPARTMENT

3.4.2 Delay in acceptance of tender leading to avoidable extra cost

Failure of the Government to communicate administrative approval for construction of Underground Drainage, Kolar (Stage-II) within the validity period of the tender, resulted in re-tendering entailing extra cost of Rs 1.73 crore.

Karnataka Urban Water Supply & Drainage Board (Board) invited (September 2006) tenders for providing and commissioning of Underground Drainage Stage-II in Kolar at an estimated cost of Rs 4.88 crore (as per Schedule of Rates of 2006-07).

In August 2006, the Government while instructing the Board to call for tenders had specified that the work be awarded only after receipt of administrative approval. Accordingly, tenders were called for and a single tender for Rs 5.56 crore was received (November 2006). The validity period of the tender was 120 days from the date of opening the bid (1 December 2006) with the due date of acceptance of tender as 30 March 2007. However, the Government accorded administrative approval only on 26 May 2007 much after the expiry of the validity. The Board issued the letter of allotment for Rs 5.56 crore to the contractor on 6 June 2007.

The contractor did not agree to take up the work on the ground that his quote was no longer valid, as six months had elapsed after submission of the tender.

The work was therefore, re-tendered (June 2007) and awarded (October 2007) to the same contractor at a negotiated cost of Rs 7.29 crore (24 *per cent* above the cost of works of Rs 5.88 crore as per the Schedule of Rates of 2007-08). The work was in progress and the contractor had been paid Rs 3.49 crore (May 2009).

The work had also been included in the action plan of 2006-07 of the Board and budget provision duly approved (May 2006) by Government. Having directed the Board to invite tenders for the work it was incumbent upon the Government to communicate administrative approval before expiry of validity period of the tender. The inordinate delay in communicating administrative approval by Government resulted in re-tendering the work, entailing an extra cost of Rs 1.73 crore which was entirely avoidable.

The Government in their reply (August 2009) contended that the delay of 57 days from the last date for acceptance of tender was procedural and due to administrative reasons. But, the fact remained that administrative approval was accorded only in May 2007 whereas tender notice had been issued in September 2006. This delay resulted in extra cost of Rs 1.73 crore.

3.4.3 Execution of a water supply scheme without ensuring availability of water source

Execution of water supply scheme to Mulky town and five other villages enroute in Dakshina Kannada district by the Karnataka Urban Water Supply and Drainage Board without ensuring availability of water source, resulted in unfruitful expenditure of Rs 2.90 crore.

The Karnataka Urban Water Supply and Drainage Board (Board) took up (July 2002) a project to supply water to Mulky town and five other villages enroute in Dakshina Kannada district at an estimated cost of Rs 4.12 crore. The work envisaged, *inter alia*, drawing 4.2 million litres of water per day (MLD) from the water purification plant at Panambur and making use of an existing 400 mm dia pre-stressed concrete (PSC) pipeline which supplied water to the Mangalore Refineries and Petro Chemicals Limited (MRPL) up to Kulai. A connecting pipeline from Kulai to the existing overhead tanks at Mulky town had to be laid.

The water purification plant at Panambur and the MRPL pipeline belonged to the Mangalore City Corporation (MCC) and prior permission had to be sought from them before the project could be commenced. However, administrative approval and technical sanction were accorded (January 2002/July 2002) without any commitment from MCC to supply water from Panambur purification plant. The Board sought permission of the MCC to use water as well as the MRPL pipeline only in January 2003. But the MCC made it (February 2003) clear that neither water nor the pipeline could be used in view of scarcity of water. MCC, however, added that the requirement of Mulky town to the extent of two MLD was incorporated in the Asian Development Bank assisted Comprehensive Water Supply Scheme to Mangalore City. The scheme was yet to be commissioned.

The Board, despite clear refusal by the MCC went ahead with the project and awarded (February 2003) the work to a contractor at a cost of Rs 2.95 crore for completion by August 2004. The work was completed in January 2006 and the contractor was paid (May 2007) Rs 2.70 crore. Additional expenditure of Rs 19.97 lakh was incurred by the Board on providing linkages. The scheme, however, could not be handed over to the Mulky Town Municipal Council as it refused (January 2009) to take over the project due to non-availability of water.

Thus, injudicious action of the Board to take up a work without ensuring availability of water source resulted in non-commissioning of the project, rendering the expenditure of Rs 2.90 crore thereon unfruitful.

Government in their reply accepted (June 2009) the audit findings and stated that water would be made available once the Comprehensive Water Supply Scheme to Mangalore City was implemented.

WATER RESOURCES DEPARTMENT – MINOR IRRIGATION

3.4.4 Unfruitful expenditure due to non-acquisition of land

Failure of EE to acquire land resulted in non-completion of canals rendering expenditure of Rs 1.77 crore spent on construction of a tank unfruitful, as the objective of providing irrigation could not be achieved.

Paragraph 209 of Karnataka Public Works Departmental Code provides that work should not be commenced on land that has not been duly made over by responsible civil officer. Further, guidelines for preparation of minor irrigation projects, the land acquisition statement accompanying the estimate of a tank should contain details of land with survey numbers and villages coming under submersion for bund, canals, *etc.*

Construction of a tank at Tadkal village for providing irrigation to 60 ha of land was awarded (August 2000) to a contractor at a cost of Rs 1.11 crore for completion by January 2002. The bund portion of the tank was completed belatedly in July 2008 at a cost of Rs 1.77 crore. Further, progress came to a standstill as the land required for construction of canals was not acquired. The construction of canals therefore, was not taken up by the contractor.

Records revealed (January 2009) that the Executive Engineer, Minor Irrigation Division, Gulbarga (EE) has sent (February 2001) proposal for acquisition of 42 acres 22 guntas of land to the revenue authorities after award of the contract. The preliminary notification as per Land Acquisition Act was issued in May 2003 and June 2003. The award was passed[12] by the Land Acquisition Officer only for 27 acres 25 guntas due to incorrect assessment of required land at initial stage and non-marking of canal alignment by EE. An area of 14 acres 22 guntas of land was thus, omitted from acquisition process. Taking up of the work without ensuring availability of land resulted in non-completion of canals. Thus, the expenditure of Rs 1.77 crore incurred on tank remained

[12] 5 *acres* 13 *guntas* (July 2004) and 22 *acres* 12 *guntas* (February 2006)

unfruitful as the objective of providing irrigation to 60 ha of land was not achieved.

The Government stated (September 2009) that water was stored in the tank and land acquisition proceedings were under progress. As evident from the reply, land acquisition was still incomplete even after nine years of commencement of the project and cultivators did not benefit from the water stored in the tank.

Chapter 4

Internal Control System in a Government Department

Public Works, Ports and Inland Water Transport Department

4.1 Internal Control in Public Works, Ports and Inland Water Transport Department

Executive summary

Internal controls are an integral component of the management processes, which are established in order to provide reasonable assurance that the operations are carried out efficiently and effectively, financial reports and operational data are reliable, and the applicable laws and regulations are complied with so as to achieve organisational objectives.

Significant points arising out of the review are:

- Budget estimates were not based on inputs from the Chief Engineers as they did not submit the proposals of work expenditure by due dates. Delayed circulation of Appendix E led to underutilisation of funds during 2008-09.
- Departmental estimates were non-realistic as there were large variations between budget grant and actual expenditure. Expenditure in March constituted 36.17 per cent of the total expenditure.
- Karnataka Public Works Departmental Code was not updated/ revised since 1965.
- Half yearly physical verification of stores was not conducted in ten divisions for one to three years. Unutilised stores costing Rs 2.64 crore had not been disposed off.
- Design and drawings for 62 works were not given to the contractor before commencement of work and for 21 works, these were not issued even after due date of their completion.
- Payment of Rs 20.15 crore for 413 works was made in 11 divisions without mandatory check measurements of first and final bills by the Executive Engineers in violation of the codal provisions.
- Four out of 12 divisions had not maintained property registers.
- Works Monitoring Cell at Secretariat level was largely ineffective and monitoring of disciplinary cases was inadequate due to non-maintenance of prescribed registers and submission of periodical returns.

4.1.1 Introduction

Internal controls in an organisation are intended to give reasonable assurance that its operations are carried out according to laid down rules and regulations in an economical, efficient and effective manner. A built-in internal control system and adherence to codes and manuals minimise the risk of errors and irregularities and help the organisation to achieve its objectives with the optimum use of its resources.

The Public Works, Ports and Inland Water Transport Department (Department) is entrusted with construction and maintenance of roads, bridges and buildings which are critical components for infrastructural development of the State.

4.1.2 Organisational set-up

The Department functions under the administrative control of the Principal Secretary who is assisted by two zonal Chief Engineers (CE) and one Principal Chief Architect. There are 10 Circle Offices and two Quality Control Circles headed by Superintending Engineers (SE) and 43 divisions [including four Quality Control (QC) divisions] headed by Executive Engineers (EE). Divisional Accountants (DA)/Audit Officers (AO) act as financial advisor and internal auditor of the divisions.

4.1.3 Audit objectives

The audit objectives were to assess whether:

- budgetary and financial controls were adequate and effective;
- administrative and inventory related controls were complied with;
- operational controls were adequate;
- organisational controls, monitoring and internal audit arrangements were adequate and effective; and
- timely investigation and disposal of vigilance cases were done.

4.1.4 Audit coverage

A review of the internal control mechanism in the Department was conducted between January 2009 and May 2009 by test-check of records for the period from 2004-05 to 2008-09 by randomly selecting 12 Public Works divisions[1], two QC divisions[2] and two Circle Offices[3] apart from two Controlling Offices[4] and the secretariat. The sample for audit, *inter alia*, covered records relating

[1] Bangalore, Belgaum, Dharwad, Gulbarga, Hassan, Karwar, Kolar, Koppal, Madikeri, Mandya, Shimoga and Tumkur
[2] Bangalore and Dharwad
[3] Bangalore Circle and Dharwad Circle
[4] CE, Communication and Buildings (C&B), North and South

to budget and expenditure, inventory control, internal audit and various control registers. An entry conference was held in January 2009 with the Chief Engineer (South), Bangalore to discuss the audit objectives. The audit findings were also discussed with the Secretary in an exit conference held on 6 October 2009. The Secretary generally accepted the audit findings and agreed to take appropriate action to strengthen the internal control mechanism in the Department.

Audit findings

4.1.5 Budgetary and financial controls

Control over budget and expenditure is essential for optimum utilisation of available resources to achieve the objective of the Department.

4.1.5.1 Formulation of budget

Paragraphs 88 and 134 of Karnataka Budget Manual (KBM) provide that the CE should consolidate estimate of works received from estimating officers of the department/other heads of department and forward the list of works after arranging them as per major heads to Finance Department (FD) within the prescribed due date (26 November) for inclusion in the budget estimates of the forthcoming year. The FD after scrutinising the estimates should get Appendix 'E'[5] containing the details of works expenditure printed before the due date (10 February) and circulate it among the implementing officers not later than end of April after passing of the budget by the Legislature.

It was noticed that both CEs delayed submission of list of works to the FD by 127 to 206 days during 2004-09. There was also delay ranging between 73 days to 221 days in circulating the Appendix 'E' to implementing officers, during these years.

During 2008-09, tendering process of 182 works out of 1,233 works included in the budget could not be completed due to delay in supply of Appendix 'E' to implementing officers and consequently, Rs 100.56 crore[6] grant provided for the works could not be utilised.

4.1.5.2 Inclusion of works in the budget in violation of instructions

Paragraphs 132 and 134 of KBM provide that the CE should ensure that only new major works which are administratively approved and technically sanctioned are included in the budget estimates and also take into consideration likely delay in taking possession of land for works where such land is required.

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[5] Details of Works Expenditure

[6] 22 *per cent* of total grant of Rs 459.29 crore

During 2008-09, 133 out of 1,233 works which were not administratively approved and technically sanctioned and 37 works for which site was not available were included in the budget estimates. Consequently, budget allotment of Rs 39.13 crore for these works could not be utilised during the year.

The Government in reply (November 2009) stated that department is providing grants first and according administrative sanction later as per note below 1 (c) of Delegation of Powers. The reply is not acceptable as the quoted provision of Delegation of Powers is not in conformity with the provision in the Budget Manual.

4.1.5.3 Inadequate budget provision

The Government instructed (April 2006) that full requirement of all on-going works with reference to contractual obligations should be provided in the budget estimates. For 234 building works (62 works under south zone and 172 works under north zone) scheduled for completion by March 2009, budget provision of Rs 52.51 crore only was made against Rs 136.22 crore required for their completion. Consequently, none of these works were completed. The Government in their reply (November 2009) stated that progress of works was not affected due to insufficient grants. The reply is not tenable as these works were incomplete as of March 2009.

4.1.5.4 Utilisation of funds

Deficiency in budget formulation led to persistent savings

The estimating officers, as per provisions of KBM, while seeking funds for works should consider all aspects involved and estimate requirements as accurately as possible. Further, it prescribes that anticipated savings should be surrendered well in time so that the amount could be better utilised and supplementary grant sought for where, original grant is found insufficient.

Review of grant and outlay statement for the period 2004-09 revealed excess and savings against the budget grant under four major heads of accounts (2059, 4059, 3054 and 5054) as indicated in **Table 4.1**:

Table 4.1 : Year-wise breakup of funds utilised

(Rupees in crore)

Sl. No	Year	Capital Section			Revenue Section		
		Budget Grant	Expenditure	Excess (+) / Savings (-)	Budget Grant	Expenditure	Excess (+) / Savings (-)
1	2004-05	355.45	306.07	(-) 49.38	422.75	302.47	(-) 120.28
2	2005-06	359.01	351.86	(-) 7.15	370.00	408.62	(+) 38.62
3	2006-07	927.57	855.62	(-) 71.95	615.43	655.93	(+) 40.50
4	2007-08	1,177.60	951.83	(-) 225.77	604.24	561.70	(-) 42.54
5	2008-09	1,927.58	1,290.73	(-) 636.85	714.78	621.91	(-) 92.87
Total		**4,747.21**	**3,756.11**		**2,727.20**	**2,550.63**	

Source: Public Works Department

There were persistent savings throughout the period 2004-09 under capital section ranging between Rs 7.15 crore and Rs 636.85 crore. Under revenue section savings ranged between Rs 42.54 crore and Rs 120.28 crore during the period except in 2005-06 and 2006-07.

The budgetary controls were not effective on account of delayed submission of list of work estimates by controlling officers to Finance Department. As a result, there were persistent savings under capital section and variations in revenue section in all the years. Execution of works was also affected due to delayed circulation of Appendix-E to implementing officers and inclusion of unapproved works in the list.

4.1.6 Financial Controls

Financial controls includes control over cash flow, utilisation of funds released for specific works, timely reconciliation of accounts, control over revenues and maintenance of various control registers.

4.1.6.1 Diversion of letter of credit

Finance Department released Rs 1.81 crore in March 2009 to Dharwad Public Works Division for payment of work bills relating to construction of buildings which was diverted to construction of Circuit Bench at Hubli, sanctioned under a different scheme. The Government replied (November 2009) that savings under Head of Account – 4059 Public Works was utilised on construction of Circuit Bench. The reply is not tenable as there was no approval of the competent authority for this diversion.

4.1.6.2 Rush of expenditure

Weak control mechanism resulted in rush of expenditure in March of every year

Paragraph 330 of departmental code stipulates that expenditure should be evenly distributed throughout the year and rush of expenditure particularly in closing month of the financial year is regarded as breach of financial rules. The total expenditure and expenditure incurred during March, under four major heads of accounts (2059, 4059, 3054 and 5054) during 2004-09 are given in **Table 4.2**.

Table 4.2: Comparison of expenditure in March over annual expenditure

(Rupees in crore)

Sl. No	Year	Total Expenditure	Expenditure during March	Percentage of March expenditure to the total expenditure
1	2004-05	608.34	220.83	36.30
2	2005-06	760.48	257.16	33.82
3	2006-07	1,511.55	473.10	31.30
4	2007-08	1,513.53	538.36	35.57
5	2008-09	1,912.64	791.75	41.40
	Total	**6,306.54**	**2,281.20**	**36.17**

Source: Public Works Department

The expenditure during March constituted 31.30 to 41.40 *per cent* of the total expenditure during each year, which indicated rush of expenditure at the close of each year.

4.1.6.3 Delay in submission of monthly accounts

Paragraph 523 of Accounts Code (Volume I) prescribes that the monthly accounts, with all vouchers and transfer entry orders in support of cash payments and other charges, be submitted by the Divisional Officer (DO) to the Accountant General's office on the 8th of the month following that to which it relates.

It was noticed that 277 out of 288 monthly accounts (2007-09) were submitted late by the test-checked divisions with delay ranging from 1 to 86 days and the supported vouchers were submitted after submission of monthly accounts (34 accounts) with a delay of 1 to 32 days.

4.1.6.4 Non-reconciliation of cheques issued and remittances

As per codal provisions[7], the DO should prepare a schedule of settlement with treasuries (SST) in the prescribed form with supporting consolidated treasury receipts and certificate of cheques issued during the previous month signed by the treasury officer after reconciliation. The SST is to be submitted with monthly accounts to the Accountant General (A&E) on the eighth of the following month.

In 12 test-checked divisions, submission of SSTs was in arrears for the period ranging from 3 to 74 months as of March 2009. Difference of Rs 3.03 crore (oldest item relating to February 1968) under treasury remittances and Rs 19.44 crore (oldest item relating to January 1973) under cheques issued remained un-reconciled as per SST. Failure to reconcile the differences may result in non-detection of cases of fraud, excess payments, non-remittances, *etc.*

4.1.6.5 Non-clearance of suspense balances

Absence of timely action resulted in outstanding balance of Rs 12.71 crore in suspense accounts

Transactions which cannot be taken to the final head of account immediately are initially taken to suspense accounts temporarily and early action taken by the divisional officer for their clearance by payment/adjustment/recovery as the case may be. It was noticed in respect of test-checked divisions that Rs 12.71 crore under Material Purchase Settlement Suspense Account (MPSSA), Cash Settlement Suspense Accountant (CSSA) and Miscellaneous Public Works Advances (MPWA) were outstanding for many years as of March 2009 as shown at **Table 4.3**.

[7] Paragraph 506, 507 and 523 of Accounts Code

Table 4.3: Details of outstanding balance under various suspense accounts

(Rupees in crore)

Particulars	MPSSA	CSSA	MPWA
Amount (Items)	1.10 (21)	4.65 (27)	6.96 (313)
Number of divisions	4	5	10
Oldest item (year)	August 1996	March 1972	January 1950

Source: Public Works Department

In the absence of timely action to review and settle these balances, the possibility of misappropriation/loss to Government could not be ruled out.

4.1.6.6 Non-crediting of lapsed deposits to Government

As per provisions[8] of Accounts Code, a deposit register in prescribed form shall be maintained showing monthly total receipts, adjustment and closing balance for each deposit item. Further, items of deposit remaining unclaimed for over three complete account years of its becoming repayable shall lapse to Government as revenue.

In five[9] out of 12 test-checked divisions, deposit registers were not updated for 9 to 38 months (March 2009). As per the monthly accounts, the total amount under the deposit head at the end of March 2009 was Rs 81.23 crore. The earliest deposit item related to 1972. The divisions did not take action to identify the deposit items remaining unclaimed for more than three years for credit to Government account.

4.1.6.7 Inadequate control over collection of revenue

Non-maintenance of Register of Special Recoveries

Paragraph 502 of Accounts Code (volume I) provides that recovery ordered from a contractor or other persons should be watched through Register of Special Recovery (Form PWG-54).

In the test-checked divisions excluding Karwar Division, the register was not maintained. The recoveries aggregating to Rs 4.03 crore (22 cases) from contractors ordered in nine divisions[10] were not taken to the control register for watching recoveries thereof. The amount remained un-recovered as of March 2009.

Non-revalidation of bank guarantees

Government instructions and Article 355 (7) of KFC, 1958 provide for acceptance of Bank Guarantees (BG) as one of the valid securities from contractors as security towards performance of contracts. In six divisions[11], 159 BGs amounting to Rs 2.88 crore were neither renewed nor encashed

[8] Paragraphs 399 and 401 of A Code
[9] Dharwad, Gulbarga, Hassan, Kolar and Madikeri
[10] Bangalore, Belgaum, Dharwad, Gulbarga, Hassan, Kolar, Mandya, Shimoga and Tumkur
[11] Gulbarga, Kolar, Koppal , Madikeri, Mandya and Shimoga

within their validity period. Two contracts were rescinded with recovery of extra cost of Rs 4.27 lakh from the contractors. The recovery could not be enforced as BG had expired and had not been renewed.

Improper maintenance of Register of Rent

Paragraph 194 of Accounts Code prescribes that the Rent Register (Form PWG-22) should be maintained in the division to post details received from sub-divisional officer to show monthly assessment, realisation and arrears of rent of buildings.

In the 12 test-checked divisions, the register was not posted up to date as monthly returns had not been received regularly from sub-divisions.

Non-tracing of third party remittances into treasury

As per Article 329 (ii) of KFC and note 3 thereunder, no challan purporting to contain the acknowledgement of treasury or bank for receipt of money should be acted upon by Government officer unless, credit for the money is traced out in the treasury accounts.

Disregarding the above provisions, 14 offices[12] during 2004-09 accepted such challans aggregating to Rs 2.32 crore produced by contractors towards registration fee without verifying their actual remittance into the treasury. As a result, production of fake challans by the contractors could not be ruled out.

4.1.6.8 Non- remittance of Earnest Money Deposit

EMD of Rs 1.49 crore received from contractors were not remitted

As per the provisions of Article 4 and 6 of KFC 1958[13], Earnest Money Deposit (EMD) collected in the form of demand draft/pay orders/bankers cheques, *etc*., should be remitted into Government account within two days and receipt issued to the payer. In Koppal and Gulbarga divisions, demand draft/ bankers cheque furnished by the contractors between 2004 and 2009 as EMD to the extent of Rs 1.49 crore were not remitted to Government account. These were also not taken to cash book and no receipts were issued to contractors.

Expenditure in March constituted 31.30 to 41.40 *per cent* of the total annual expenditure during the period 2004-09. Arrears in SST, non-reconciliation of cheques issued for remittances, delay in submission of monthly accounts could lead to possible non-detection of fraud and excess payments. Non-renewal of bank guarantee, acceptance of remittance without tracing to treasury accounts, non-watching of recoveries ordered, cheque/demand drafts not remitted to bank account indicated weak financial controls.

[12] SEs (Bangalore and Dharwad circles), CE, C&B (South) and all test checked divisions excluding Shimoga

[13] Read with paragraph 190 (d) of Departmental Code volume I

4.1.7 Administrative controls

Maintenance of various control registers in accordance with departmental regulations is an important element of internal control structure. The registers including subsidiary registers are to be maintained in prescribed format.

4.1.7.1 Non-updating of Departmental Code

The Departmental Code volumes I and II meant for guidance of officers of the department was compiled in 1965. Based on the recommendations of the Public Accounts Committee, Government constituted (2004) a committee to revise/update the Departmental Code, keeping in view the manifold increase in activities of the department. The draft Departmental Code prepared by the committee in 2005 was still awaiting Government approval. No reasons for the delay in approval were furnished (November 2009).

4.1.7.2 Non-maintenance of Register of Buildings and Properties

Paragraph 348 of Departmental Code provides that the DO shall maintain a register in the prescribed form for each class of assets created and land acquired. These registers were not maintained in four[14] out of 12 test-checked divisions and in two[15] divisions where these registers were maintained were not posted with up to date details. The department is not in a position to know a complete picture of the assets held or created at any point of time due to non-maintenance of these registers.

4.1.7.3 Calendar of returns

Paragraph 542 of Accounts Code (volume I) provides that in every Division/ Sub Division, a calendar of returns (form PWG 58) showing the accounts and returns which the office has to submit or receive, the dates on which and the offices to or from which they are due and the actual dates of their despatch or receipt, be maintained. This control register was not maintained in any of the test-checked divisions. As a result of this, timely receipt/despatch of information/documents could not be ensured.

4.1.7.4 Security from subordinates handling cash and stores

Paragraph 85 of Departmental Code (volume I) provide that every cashier, storekeeper, driver, *etc.*, who are entrusted, whether temporarily or permanently with collection or custody of Government cash or stores *etc.*, should ordinarily be required to furnish security and to execute a security bond in prescribed form setting forth the conditions under which Government holds the security and may ultimately refund or appropriate it. A reference to each bond should be recorded in the Register of Security Deposits. The register had not been maintained in any of the 12 test-checked divisions.

[14] Belgaum, Gulbarga, Koppal and Tumkur
[15] Hassan and Mandya

Non-revision of the departmental code and non-maintenance of various registers mentioned above, indicated poor administrative controls.

4.1.8 Inventory controls

4.1.8.1 Non-reconciliation of differences in stock accounts

Paragraph 368 of Departmental Code prescribes maintenance of stock accounts of two kinds *i.e.*, quantity accounts and value accounts. As per paragraph 369 of the Code *ibid*, the stock balance should be examined half yearly to see whether the balance in hand agrees with the quantities as well as the value as per accounts. Any discrepancies noticed should be analysed and the book balance set right under the orders of competent authority. Scrutiny of records of 12 divisions disclosed discrepancies (*minus* Rs 4.06 crore) for the period between September 2006 and September 2008 between these two accounts representing loss or shortage of stores. Non-reconciliation of differences may result in shortage of stores remaining un-noticed.

4.1.8.2 Physical verification of stores and Tools & Plant

Shortage of Stores could not be detected in time due to non-conducting of physical verification

Paragraphs 382, 393 and 394 (i) of the departmental code provide that the physical verification of store balance of both divisions and sub divisions be conducted every six months and annually in respect of Tools and Plant (T&P) articles.

As of March 2009, half yearly physical verification of stores was not conducted since September 2006 in Dharwad Division, March 2008 in Kolar Division and September 2008 in eight other divisions[16].

The annual physical verification of Tools and Plant (T&P) articles was not done since September 2006 in Dharwad Division and since September 2008 in another nine divisions[17]. Non-conducting of physical verification could result in non-detection of shortages/excess in the stores/T&P articles. The Government replied (November 2009) that physical verification of stores is being conducted regularly in all divisions of South Zone. However, no reply was given regarding physical verification of Stores of the divisions of North Zone. The Government reply regarding divisions under south zone was not factual as physical verification of stores in five divisions under that zone, as mentioned above, was not conducted.

[16] Bangalore, Belgaum, Gulbarga, Karwar, Koppal, Mandya, Shimoga and Tumkur
[17] CE (South): Bangalore, Belgaum, Gulbarga, CE (North): Karwar , Kolar, Koppal, Mandya, Shimoga and Tumkur

Box 4.1

Non-detection of shortage of stores

In PWD, Dharwad Sub-division No.1, shortage of store materials costing Rs 53.55 lakh was noticed (January 2007) after the retirement (January 2007) of the store keeper. The shortages could not be detected in time as physical verification of stores was not conducted for the period ending September 2006 and onwards. The Government replied (November 2009) that directions have been issued (September 2009) for recovering the amount by filing a civil suit.

4.1.8.3 Non-disposal of unused stores

Surplus stock of Rs 2.64 crore was not disposed of

The Government as a policy decision (August 1998) decided not to procure any stores required for the works and all the existing stock held in the divisions was to be assessed for utilisation for ongoing works. It also directed that detailed inventory of all surplus items which cannot be utilised should be prepared and proposals submitted for their disposal.

In the test-checked divisions unutilised stores costing Rs 2.64 crore were held in stock and no action was taken for their disposal. Government replied (November 2009) that action had been initiated for disposal of the stores.

4.1.8.4 Non-disposal of unserviceable vehicles/machineries

CE, Central Mechanical Organisation (CMO) is the competent authority for declaring vehicles and machineries as un-serviceable and accords approval for disposal. The divisions should take action to dispose of the items within three months after obtaining such approval. For any loss arising out of delay in disposal of these items, the concerned officer is to be held responsible.

It was observed that 256 unserviceable vehicles/machineries approved for disposal by CE, CMO during 1991-2009 were not disposed of by the divisions (June 2009). Government replied (November 2009) that Executive Engineers were instructed to dispose of all unserviceable vehicles as early as possible.

Delay in conducting physical verification of stores and non-reconciliation of variation between value and quantity accounts could lead to non-detection of store shortages in time. Non-disposal of unserviceable items even after obtaining approval thereto, showed inadequate inventory controls.

4.1.9 Operational controls

Operational controls provide assurance that tasks are being performed economically and efficiently to fulfill the department's objectives.

4.1.9.1 Belated/non-receipt of design and drawings

Paragraph 211(a) (i) of Departmental Code stipulates that no work shall be commenced unless detailed design and estimates have been sanctioned.

In 12 test-checked divisions, no control register was maintained to watch the forwarding and receipt of approved design/drawings from the competent authority. Scrutiny of the information relating to drawings issued during 2004-09 in respect of 279 building works revealed that the design and drawings of 62 works (22 *per cent*) were not furnished to the contractors before commencement of work, except in Karwar division and the delay ranged from 1 to 27 months. In respect of 21 works, drawings were not issued to the contractors even after the due date of completion of work. Reason for delay in issue of drawings by the competent authority was not on record. In the absence of a control register, there would be no control over the cases sent for approval to designs and drawings and watching the receipt of their approval. The rules also did not provide for maintenance of any such control register.

4.1.9.2 Payment without check measurements

Work bills worth Rs 20.15 crore were paid without check measurement

Paragraph 209 of Accounts Code[18] (Vol.I) provides that the DOs should check/measure frequently the works in progress and maintain a register indicating the extent/cases of check measurements. The objective of checking measurements is to detect errors in measurements and to prevent fraudulent payment/entries. The DO should also check measure final measurements of works costing more than Rs 25,000 to the extent of 25 *per cent* of the total value of the work done, before payment of the bill.

Scrutiny of measurement books in 11 divisions[19] revealed that 413 first and final bills amounting to Rs 20.15 crore were paid without check measurement by the EE. Thus, correctness of payments with reference to actual work done was not ensured by the EEs. Out of 12 test-checked divisions, only four divisions[20] maintained the prescribed register.

4.1.9.3 Measurement Books returns

A Measurement Book (MB) is a very important and basic account of quantity of work done, whether by daily labour or by piece work or by a contractor and of the material received which has to be measured or counted. As per paragraph 208 of Accounts Code (volume I), a half yearly return of MBs indicating balance of these books and reasons for non-return of used up MBs is required to be sent to the Division. Further, the SEs are required to see that the MBs are carefully kept and measurements properly recorded. The half yearly returns were not received by the EEs in the test-checked divisions except Madikeri, Mandya, Tumkur[21] and Dharwad[22]. This indicated lack of control with regard to movement of MBs.

[18] Read with appendix VII of Departmental Code volume II
[19] Bangalore, Belgaum, Dharwad, Gulbarga, Karwar, Kolar, Koppal, Madikeri, Mandya, Shimoga and Tumkur
[20] Dharwad, Hassan, Kolar, Tumkur
[21] Received only for the period ending September 2007
[22] Received up to the period ending September 2008 from two sub-divisions out of five sub-divisions

4.1.9.4 Deficiencies in maintenance of Register of Works

Paragraphs 317 to 320 of Departmental Code provide that a collective record of expenditure incurred on works executed during the year should be maintained in the divisional offices in the register of works. These registers are to be posted from cash, stock and adjustment transactions and reviewed by the EE before submission of monthly accounts. This register enables the EE to review the actual as well as probable excess under each sub-head of work against the sanctioned estimate. The account of a work in the register is to be closed immediately on completion after discharging/clearing all the liabilities outstanding /balances in the suspense account.

Records revealed that in 12 test-checked divisions the works register was not posted up to date and closed. As a result, correctness of expenditure with reference to sanctioned estimate as well as adjustment/clearance of balances in the suspense accounts could not be ensured.

4.1.9.5 Completion reports

Paragraph 185 (d) of Departmental Code prescribes time limit of three months for submission of completion report after actual completion of work before final bill is paid. The EE should close the account on completion of work and entries should be made in the Register of Sanction to estimates and Register of Works.

It was noticed that entries in respect of completed works were not noted in the prescribed registers in any of the 12 test-checked divisions. In five divisions[23] completion reports were submitted to competent authority belatedly in case of 44 works, which were completed during 2006-08 with delay ranging up to 20 months. In respect of 12 completed works in three divisions[24] neither completion reports were submitted nor were accounts closed as of March 2009. The Government replied (November 2009) that EEs will be insisted upon to follow the required procedure without fail.

There was no monitoring over receipt of designs and drawings sent for approval of competent authorities affecting the progress of works. Payments for work done/supplies received without check measurements exposed the system to fraudulent payments. Control over movement of MBs was lacking. The Register of Work was also not posted and closed on completion of works. These weaknesses indicated poor operational controls in the Department.

[23] Dharwad, Madikeri, Mandya, Shimoga and Tumkur
[24] Kolar, Shimoga and Tumkur

4.1.10 Organisational controls

Weak monitoring of disciplinary cases resulted in non-recovery of Government dues

The organisational controls such as monitoring, conducting of inspections of works and subordinate offices, disposal of vigilance cases, quality control, *etc.*, were weak as discussed below:

4.1.10.1 Non-functioning of Monitoring Cell

Works Monitoring Cell was established (January 2005) at the Secretariat level to closely monitor the works undertaken by the Department and to ensure their quality. However, from the progress reports submitted by the Monitoring Cell to the Principal Secretary/Secretary, it was observed that the cell was attending only to cases relating to complaints, media reports, *etc*. The important aspects relating to inspection of works, supervision, and monitoring, reviewing the supervision arrangement, quality aspects, contract administration and necessity of works undertaken were not attended to by the Cell which defeated its very objective.

Government replied (November 2009) that the monitoring cell would be further strengthened with additional staff to monitor and supervise the works taken up by the department**.**

4.1.10.2 Inadequate inspections of departmental offices

Inspection of sub-divisional accounts

Shortfall in periodical inspection of field offices by senior officers was 90 *per cent*

Departmental code envisage inspection of sub-divisional accounts once in a year to check a percentage of initial records, by the EE or under his orders by Divisional Accountant on his behalf.

In 12 tests-checked divisions, against the target of 325 inspections in respect of 65 sub-divisions to be conducted during 2004-09, only 34 inspections were conducted with shortfall of 90 *per cent* in inspections. The huge shortfall indicated weak monitoring of initial accounts of sub-divisions by EEs.

Short fall in conducting surprise checks of work

Government circular (August 1993) fixed target for conducting surprise checks of works apart from regular checks by CE/SE/EE to improve the quality and progress of work and submit a report on such inspections/checks in the prescribed form to the Government.

The number of surprise checks of the test-checked divisions conducted by various controlling officers during 2007-09 is given in **Table 4.4**.

Table 4.4 : Details of shortfall in surprise inspection

	EE	SE, Bangalore	SE, Dharwad	CE, Bangalore	CE, Dharwad
Target (2007-09)	3,456 (12 per month)	192 (8 per month)	192 (8 per month)	120 (5 per month)	120 (5 per month)
Achievement	142	41	nil	20	28
Shortfall	3,314 (96%)	151 (79%)	192 (100 %)	100 (83%)	92 (77%)

Source: Public Works Department

The shortfall in conducting surprise check of works by various controlling officers ranged from 77 to 100 *per cent*. Whenever surprise checks were conducted, the reports were not submitted to the Government. Thus, the control intended for ensuring the desired objective was not functional.

4.1.10.3 Inspection of public buildings

Paragraph 347 of Departmental Code provided that every public building valued over Rs 20,000 should be inspected by the EE at least once in a year. The Assistant Executive Engineer is required to make frequent inspection of all public buildings to see that these are maintained in good condition and necessary repairs are carried out. The results of their inspection should be recorded in a register maintained in Form No PWG-80. The above position was reiterated by the Government (October 2006) for compliance in respect of all assets under Public Works Department.

Neither the register prescribed for the purpose was maintained nor the details of such inspections conducted, if any, were kept on record in any of the test-checked divisions.

4.1.10.4 Inadequacies in following up of vigilance cases

Based on the recommendations (16th report-1996-97) of the Public Accounts Committee (PAC), Government issued instructions (May 1997 and June 2001) for finalisation of disciplinary cases and laid down the time schedule for each stage of the case. The entire disciplinary proceedings were to be completed and final orders issued within nine months from the date of misconduct coming to the notice of the disciplinary authority. Further, disciplinary authorities were required to maintain a register in the prescribed form for watching progress of cases. A quarterly review of pending disciplinary cases was to be conducted by the CEs/SEs to expedite the disposal of cases and a report furnished to Government.

In none of the test-checked offices/divisions, the prescribed register to monitor action taken on disciplinary cases was maintained. The quarterly return to Government was also not furnished by the CE, C&B (South), Bangalore. In the absence of records, the number of cases pending with different disciplinary authorities and their stages could not be ascertained in audit. The Government replied (November 2009) that necessary records are being updated and watch register would be maintained.

Box 4.2

Non-recovery from delinquent officials

Disciplinary authorities failed to monitor the disciplinary cases resulting in non-recovery of Rs 31.35 lakh;

- An official was dismissed (April 2004) by disciplinary authority (CE, C&B, South) for misuse of store articles worth Rs 16.85 lakh issued for use on works. The Government (next appellate authority) temporarily stayed (October 2004) the dismissal order pending further enquiry. The stay order was revoked by Government in December 2006 but the official continued to be in service. On this being pointed out (10 June 2009) in audit, the dismissed employee was relieved from duty on 15 June 2009. Absence of monitoring of disciplinary cases by CE, C&B (South), resulted in the dismissed employee continuing in service for a further period of two and half years. Government replied (November 2009) that the delay in implementation of Government orders was due to communication gap and that a civil suit has been filed in civil court at Gadag to recover the amount.

- CE, North issued orders (January 1999) for recovery of Rs 16.90 lakh from an official in PWD Koppal Division for misuse of stores material issued (1983-1985) for execution of works. Out of Rs 16.90 lakh, Rs 70,000 were recovered (November 2001 to January 2003) from his pay and allowances. Subsequently, the official was compulsory retired from service in November 2003. The Drawing and Disbursing Officer (DDO) informed (March 2007) the Accountant General (Accounts & Entitlement) to recover Rs 1.60 lakh from the gratuity due to the official while forwarding his pension papers without consulting the disciplinary authority. Further, action taken to recover balance amount of Rs 14.50 lakh was not pursued by the disciplinary authority. This indicated lack of monitoring of disciplinary cases. The Government replied (November 2009) that a civil suit is reported to have been filed in the Civil court, Gadag for recovery of dues.

4.1.10.5 Weakness in Quality Control system

As per Quality Control (QC) Manual and instructions issued by the Government (1997 and 2004), the quality adherence and execution of works as per prescribed standards was to be ensured for all works. The CE instructed (September 2002) that all executing officers in respect of road works should ensure quality as per Ministry of Road Transport and Highways (MORTH) specifications in respect of materials used and details of test results be recorded in a separate register. Executing officers were directed to submit compliance to all inspection notes issued by QC authorities to the CE.

In none of the test-checked divisions the maintenance works executed were subjected to QC test. Further, no record to watch the cases referred for QC test, receipt of reports on such cases and corrective action taken on adverse reports for the period 2004-09 was maintained in any of the test-checked divisions. Absence of above records/non-adherence to the prescribed procedure indicated that the quality of work executed was not monitored by the department. The Government replied (November 2009) that instructions are issued to carry out quality checks and to maintain records.

4.1.10.6 Weak internal audit system

Department has no effective internal audit system

There exists an internal audit system under Divisional Accountants/Audit Officers in each division and they are required to maintain an objection register to bring to the notice of the DO any matter relating to any transaction/orders affecting receipt/expenditure which is opposed to any rule or order, with a statement detailing the reasons. However, such register was not maintained for the period 2004-09 in six[25] out of 12 test-checked divisions. The Government replied (November 2009) that necessary workshops would be conducted to enhance the skill of the Divisional Accountants and instructions will be issued to maintain objection books in future.

The codal provisions also do not provide for an independent internal audit system in the Department.

4.1.10.7 Lack of response to Statutory audit

1,814 paragraphs of 417 inspection reports were pending settlement

Accountant General (Works, Forest and Receipt Audit), Karnataka conducts periodical inspection of the divisions, circle offices and central offices of the Department. The audit findings are communicated through Inspection Reports (IRs) to the heads of offices/department for compliance and necessary rectification of defects. A periodical statement of outstanding objection/IRs is also sent to the Secretary of the department to facilitate monitoring and compliance of audit observations.

As of March 2009, 1,814 paragraphs relating to 417 IRs issued up to December 2006 were pending settlement. Of these, 116 paragraphs relating to 104 IRs were more than 10 years old. Even the first reply for 115 paragraphs relating to 10 IRs was not received till March 2009. This indicated lack of responsiveness of the Department to Statutory audit.

The monitoring Cell at Secretariat level was largely non-functional. There was huge shortfall in inspection of sub-divisional accounts, surprise check of work by senior level officers and proper maintenance of the public buildings were not ensured. Monitoring of disciplinary cases was weak and deficient as reports and prescribed registers were not maintained. Payments for maintenance works were made without conducting mandatory quality control tests.

4.1.11 Conclusion and Recommendations

4.1.11.1 Budgetary controls

Budget formulation was deficient due to delayed submission of work estimates by controlling officers to the Finance Department. The delayed circulation of

[25] Dharwad, Gulbarga, Hassan, Kolar, Mandya and Shimoga

Appendix-E to the implementing officers, inclusion of unapproved works affected execution of works. There were persistent savings in capital expenditure and wide variations in revenue expenditure.

Recommendation: The State Government should ensure timely submission of list of works by the Department for budget preparation and circulation of Appendix-E to implementing officers to avoid underutilisation of funds.

4.1.11.2 Financial controls

There were longstanding unadjusted balances in suspense account. Delay in reconciliation of cheques issued and remittances made was fraught with the risk of any fraud remaining undetected.

Recommendation: The State Government should prescribe a suitable mechanism to ensure that the divisional officers prepared a schedule of settlement with treasuries every month without fail as per Public Works Account Code to reconcile the differences and to detect excess encashment/short remittances.

4.1.11.3 Inventory controls

Failure to conduct physical verification of stores resulted in delay in detection of shortages and surplus and unserviceable articles remained un-disposed of.

Recommendation: The State Government should prescribe a time bound programme to departmental officers to complete physical verification of stores as per the codal provisions and take follow-up action expeditiously.

4.1.11.4 Operational controls

Instances of non-issue of designs and drawings to the contractors even after the due dates for completion of works and payments to works without check measurements by the divisional officer were indicative of poor operational controls in the Department.

Recommendation: The State Government should strengthen controls related to timely preparation of drawings and designs to ensure that the works are completed without any cost or time overrun. The controls for payments to contractors after proper measurement of work done should also be scrupulously observed.

4.1.11.5 Organisational and administrative controls

The monitoring cell set up to closely monitor the progress and quality of works, contract management aspects did not function effectively in these areas except for attending the complaints, media reports, *etc.* Inadequate inspections and surprise checks by departmental officers, lack of follow-up of vigilance cases were indicative of weak monitoring controls. The departmental code laying down rules, procedures and controls for execution of works has not been revised since 1965. Draft code framed in 2005 was awaiting approval of the Government.

Recommendation: In view of manifold increase in the activities of the Department, revision of the departmental code is necessary for its efficient and effective functioning. This needs to be expedited. The State Government should also ensure effective functioning of the monitoring cell, maintenance of various control registers and improve inspection mechanism of the Department.

BANGALORE **(M NANJUNDASWAMY)**
THE **Accountant General**
(Civil and Commercial Audit)

COUNTERSIGNED

NEW DELHI **(VINOD RAI)**
THE **Comptroller and Auditor General of India**

Appendix 1.1

(Reference: Paragraph 1.7.1, Page 8)

Year-wise breakup of Outstanding Inspection Reports as on 31 August 2009

Year	Department of Higher & Technical Education		Department of Water Resources		Department of Minor Irrigation		Department of Public Works	
	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs
Upto 1999-2000	39	101	57	118	58	89	120	143
2000-01	03	03	21	81	10	33	30	54
2001-02	18	39	16	36	12	22	22	37
2002-03	01	03	18	72	14	38	39	105
2003-04	07	14	26	83	14	61	49	216
2004-05	09	14	40	191	18	75	65	445
2005-06	20	35	01	14	02	11	14	29
2006-07	17	31	40	382	21	143	71	678
2007-08	35	81	--	--	01	19	--	--
2008-09	25	63	--	--	23	328	07	107
Total	**174**	**384**	**219**	**977**	**173**	**819**	**417**	**1,814**

Appendix 1.2

(Reference: Paragraph 1.7.3, Page 8)

Details of Departmental Notes pending as of 7 December 2009 (Excluding General and Statistical Paragraphs)

Sl. No.	Department	95-96	96-97	97-98	98-99	1999-2000	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	Total
1.	Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	1	1
2.	Animal Husbandry & Veterinary Services	-	-	-	1	-	-	-	-	-	1	-	-	-	2
3.	Commerce and Industries	-	-	1	-	-	1	-	-	-	-	-	1	-	3
4.	Co-operation	-	-	-	-	-	-	-	-	-	-	1	-	1	2
5.	Ecology and Environment	-	-	-	-	-	-	1	-	-	-	-	-	-	1
6.	Education	-	-	-	-	-	-	-	-	1	-	1	4	2	8
7.	Finance	-	-	-	-	-	1	-	-	-	-	-	1	1	3
8.	Food, Civil Supplies and Consumer Affairs	-	-	-	-	-	-	-	-	-	-	-	1	-	1
9.	Forest	-	-	-	-	-	-	-	-	1	-	-	-	1	2
10.	Health & Family Welfare	3	-	-	-	2	1	-	-	-	-	-	-	-	6
11.	Housing	1	-	-	-	-	-	-	-	-	1	-	-	-	2
12.	Information Technology and Bio-technology	-	-	-	-	-	-	-	-	-	1	-	-	-	1
13.	Labour	-	-	-	-	-	-	-	-	-	-	-	1	-	1
14.	Legislature Secretariat	-	-	-	-	1	-	-	-	-	-	-	-	-	1
15.	Planning	-	-	-	-	1	-	-	-	-	-	-	-	-	1
16.	Public Works	-	-	-	-	-	-	-	-	1	-	4	2	3	10
17.	Revenue	-	-	1	-	-	-	-	-	-	-	1	2	-	4
18.	Social Welfare	1	-	1	1	-	1	-	-	-	-	-	2	-	6

Sl. No.	Department	95-96	96-97	97-98	98-99	1999-2000	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	Total
19.	Urban Development	-	-	-	-	-	-	-	-	-	6	2	6	2	16
20.	Water Resources (Major & Medium Irrigation)	-	-	-	-	-	-	-	1	1	2	-	-	-	4
21.	Water Resources (Minor Irrigation)	-	-	1	-	-	-	-	-	1	2	2	3	3	12
22.	Women and Child Development	-	-	-	-	-	-	-	1	-	-	-	-	-	1
23.	Youth Services and Sports	-	-	-	-	1	-	-	-	-	-	-	-	-	1
24.	Forest, Home & Transport	-	1	-	-	-	-	-	-	-	-	-	-	-	1
25.	Health & Family Welfare and PWD	-	-	-	-	-	-	-	1	-	-	-	-	-	1
26.	Forest, Ecology & Environment, Urban Development and H&FW	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Total		**5**	**1**	**4**	**2**	**5**	**4**	**1**	**3**	**5**	**13**	**11**	**23**	**15**	**92**

Appendix 1.3
(Reference: Paragraph 1.7.4, Page:8)
Paragraphs (excluding General and Statistical) yet to be discussed by PAC as of 7 December 2009

Sl.No.	Department	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	Total
1	Agriculture	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	1	3
2	Animal Husbandry and Veterinary Services	-	-	-	-	-	3	1	1	2	-	-	-	1	-	-	-	8
3	Commerce and Industries	-	-	-	-	-	3	2	1	1	-	-	-	-	-	1	-	8
4	Co-operation	1	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1	3
5	Ecology and Environment	-	-	-	-	-	-	-	-	1	1	-	-	-	-	-	-	2
6	Education	2	1	4	5	1	-	1	2	2	1	1	1	-	2	4	2	29
7	Finance	-	-	-	-	-	-	-	-	1	-	-	-	-	1	1	1	4
8	Food and Civil Supplies and Consumer Affairs	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1	-	2
9	Forest	1	-	1	2	-	-	-	-	1	2	-	1	-	-	-	1	9
10	Health and Family Welfare	3	-	1	4	4	1	2	2	1	-	1	-	-	-	-	-	19
11	Home	-	2	2	-	2	-	-	2	-	2	-	-	-	-	-	-	10
12	Horticulture	-	-	-	-	1	1	-	-	-	-	-	-	-	1	-	-	3
13	Housing	-	-	-	2	-	-	-	-	-	-	-	-	1	1	1	-	5
14	Information, Tourism, Kannada and Culture	-	-	-	-	-	-	3	1	-	-	-	-	1	-	-	-	5
15	Information Technology and Bio-Technology	-	-	-	-	-	-	-	-	-	-	-	2	1	-	-	-	3
16	Labour	-	-	-	-	-	-	-	-	-	1	-	1	-	-	1	-	3
17	Legislature Secretariat	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	1
18	Planning	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	1
19	Public Works	-	2	2	4	1	-	-	-	-	-	-	1	1	3	2	3	19
20	Revenue	-	-	-	1	1	1	-	1	-	-	-	-	1	1	2	-	8
21	Rural Development & Panchayat Raj	-	1	-	-	-	-	-	-	-	1	-	-	-	-	-	-	2
22	Social Welfare	-	-	-	2	-	3	3	1	1	-	-	1	-	-	2	-	13
23	Transport	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
24	Urban Development	-	-	-	-	-	-	-	-	-	-	-	-	6	2	6	2	16

Sl.No.	Department	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	Total
25	Water Resources (Major & Medium Irrigation)	14	7	7	6	8	7	2	2	2	6	2	2	2	-	1	-	68
26	Water Resources (Minor Irrigation)	1	6	3	5	4	3	-	-	-	-	-	3	2	3	3	3	36
27	Women & Child Development	-	-	-	-	1	-	-	-	-	-	1	-	-	-	-	-	2
28	Youth Services and Sports	-	-	-	-	-	2	-	2	-	-	-	-	-	-	-	-	4
29	Agriculture, Forest, Home & Transport	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	1
30	H&FW, PWD & RDPR	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1
31	Forest, Ecology & Environment, Urban Development and H&FW	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Total		**22**	**20**	**20**	**31**	**26**	**24**	**14**	**17**	**12**	**14**	**6**	**12**	**17**	**15**	**25**	**15**	**290**

Appendix 2.1
(Reference Paragraph 2.1.7.1, Page 16)
Statement showing the comparison of cards with number of households based on projected population

District	Projected Population 2009 in 00s	No. of households	Number of cards issued (March 2009)						Percentage of total cards to households
			AAY	BPL	Nemmadi	Total BPL	APL	Total	
Bagalkot	18973	474325	47660	185296	131686	316982	176882	541524	114.17
Bangalore Urban	83349	2083725	34667	470576	115235	585811	1028708	1649186	79.15
Bangalore Rural	20791	519775	35729	280585	129054	409639	158621	603989	116.20
Belgaum	47989	1199725	96677	487001	209263	696264	580742	1373683	114.50
Bellary	23896	597400	66486	223231	191680	414911	177595	658992	110.31
Bidar	17430	435750	45175	167445	129989	297434	189680	532289	122.15
Bijapur	20601	515025	56556	204782	142201	346983	172745	576284	111.89
Chamarajanagar	10377	259425	36075	157829	54284	212113	72296	320484	123.54
Chickmagalur	12548	313700	23537	161531	50595	212126	82939	318602	101.56
Chitradurga	17069	426725	47378	238202	69166	307368	88639	443385	103.90
Dakshina Kannada	21431	535775	15881	158633	0	158633	205400	379914	70.91
Davanagere	20036	500900	53933	252399	123006	375405	138551	567889	113.37
Dharwad	18181	454525	32809	205009	144942	349951	149896	532656	117.19
Gadag	10727	268175	31737	113121	70989	184110	93391	309238	115.31
Gulbarga	36717	917925	104530	396078	213532	609610	296979	1011119	110.15
Hassan	18538	463450	25098	333337	77475	410812	125825	561735	121.21
Haveri	16100	402500	50536	198554	89189	287743	100387	438666	108.99
Kodagu	6035	150875	6128	80852	18947	99799	63103	169030	112.03
Kolar	28261	706525	65916	382000	147732	529732	194255	789903	111.80
Koppal	14295	357375	42062	136749	92900	229649	95100	366811	102.64
Mandya	18655	466375	37209	295357	97706	393063	178699	608971	130.58
Mysore	29707	742675	51104	402607	132598	535205	174629	760938	102.46
Raichur	19776	494400	60279	197350	118862	316212	153096	529587	107.12
Shimoga	18160	454000	41463	225907	73242	299149	151757	492369	108.45
Tumkur	28453	711325	56307	393854	147779	541633	194832	792772	111.45
Udupi	11816	295400	17873	93427	6184	99611	120341	237825	80.51
Uttara Kannada	14824	370600	16895	183084	66125	249209	132684	398788	107.61
Total State	**604735**	**15118375**	**1199700**	**6624796**	**2844361**	**9469157**	**5297772**	**15966629**	**105.61**

Appendix 2.2
(Reference Paragraph 2.1.9.1, Page 21)
Statement showing the allotment and off take of food grains

(Quantity in MTs)

Year	AAY			BPL			APL			TOTAL		
Rice	**GOI allotment**	**Quantity lifted**	**Percentage**	**GOI allotment**	**Quantity lifted**	**Percentage**	**GOI allotment**	**Quantity lifted**	**Percentage**	**GOI allotment**	**Quantity lifted**	**Percentage**
2004-05	252964	241857	95.61	796696	791861	99.39	1656480	753516	45.49	**2706140**	**1787234**	**66.04**
2005-06	326204	309913	95.01	725224	730995	100.80	1656480	739873	44.67	**2707908**	**1780781**	**65.76**
2006-07	407106	391260	96.11	650118	646728	99.48	1438416	733622	51.00	**2495640**	**1771610**	**70.99**
2007-08	416508	401669	96.44	639840	639375	99.93	1279080	581695	45.48	**2335428**	**1622739**	**69.48**
2008-09	416508	415779	99.82	669840	669588	99.96	661453	578248	87.42	**1747801**	**1663615**	**95.18**
TOTAL	**1819290**	**1760478**	**96.77**	**3481718**	**3478547**	**99.91**	**6691909**	**3386954**	**50.61**	**11992917**	**8625979**	**71.93**

	AAY			BPL			APL			TOTAL		
WHEAT	**GOI allotment**	**Quantity lifted**	**Percentage**	**GOI allotment**	**Quantity lifted**	**Percentage**	**GOI allotment**	**Quantity lifted**	**Percentage**	**GOI allotment**	**Quantity lifted**	**Percentage**
2004-05	63554	58504	92.05	199178	190083	95.43	414120	121536	29.35	**676852**	**370123**	**54.68**
2005-06	73229	68923	94.12	157093	158283	100.76	378535	149397	39.47	**608857**	**376603**	**61.85**
2006-07	84070	73005	86.84	127998	122799	95.94	155806	101779	65.32	**367874**	**297583**	**80.89**
2007-08	87384	82399	94.30	130544	123519	94.62	93674	64463	68.82	**311602**	**270381**	**86.77**
2008-09	87384	87509	100.14	129024	129456	100.33	62133	59762	96.18	**278541**	**276727**	**99.35**
TOTAL	**395621**	**370340**	**93.61**	**743837**	**724140**	**97.35**	**1104268**	**496937**	**45.00**	**2243726**	**1591417**	**70.93**

Year	GOI allotment	Quantity lifted	Percentage
2004-05	3382992	2157357	63.77
2005-06	3316765	2157384	65.04
2006-07	2863514	2069193	72.26
2007-08	2647030	1893120	71.52
2008-09	2026342	1940342	95.76
TOTAL	**14236643**	**10217396**	**71.77**

Appendix 2.3
(Reference: Paragraph 2.1.10.1, Page 23)
Statement Showing the Particulars of erroneous fixation of first and second lifting point

Name of the district	Wholesale godown	First Lifting Point					Second lifting point				
		Assigned FCI godown	Distance (in km)	Nearest FCI godown	Distance (in km)	Additional distance (in km)	Assigned FCI godown	Distance (in km)	Nearest FCI godown	Distance (in km)	Additional distance (in km)
Gulbarga	Yadgir	Gulbarga	97.70	Raichur	76.30	21.40	-	-	-	-	-
	Jewargi Tq.	-	-	-	-	-	Bidar	164.00	Bijapur	124.00	40.00
Chamarajanagar	Chamarajanagar I	-	-	-	-	-	Maddur	99.20	Mysore	60.30	38.90
	Chamarajanagar II	-	-	-	-	-	Maddur	99.20	Mysore	60.30	38.90
	Santhemarahalli	-	-	-	-	-	Maddur	85.00	Mysore	56.90	28.10
	Gundlupet I	-	-	-	-	-	Maddur	120.00	Mysore	60.00	60.00
	Gundlupet II	-	-	-	-	-	Maddur	120.00	Mysore	60.00	60.00
	Yelendur	-	-	-	-	-	Maddur	87.20	Mysore	62.30	23.90
Davanagere	Honnalli	Shimoga	47.30	Harihar	40.30	7.00	-	-	-	-	-
Bangalore Rural	Channapatna	-	-	-	-	-	K.R.Puram	71.50	Mandya	38.30	33.20
	Bidadi	-	-	-	-	-	Mandya	69.80	K.R.Puram	41.20	28.60
	Hosakote	K.R.Puram	16.90	Whitefield	15.90	1.00	-	-	-	-	-
Bijapur	Bijapur I	-	-	-	-	-	Hubli	189.00	Gulbarga	158.00	31.00
	Bijapur II	-	-	-	-	-	Hubli	189.00	Gulbarga	158.00	31.00
	Indi I	-	-	-	-	-	Hubli	246.00	Gulbarga	108.00	138.00
	Indi II	-	-	-	-	-	Hubli	246.00	Gulbarga	108.00	138.00
	Sindhagi	-	-	-	-	-	Hubli	248.00	Gulbarga	98.20	149.80
Koppal	Koppal	-	-	-	-	-	Bellary	94.50	Gadag	71.40	23.10
	Kustagi	-	-	-	-	-	Bellary	129.00	Gadag	77.50	51.50
	Yelburga	-	-	-	-	-	Bellary	157.00	Gadag	59.50	97.00

Note : Distances are based on internet data

Appendix 2.4

(Reference: Paragraph 2.1.10.1, Page 23)

Statement showing the particulars of excess expenditure due to erroneous fixation of FCI lifting point

Sl No	Name of the district	Name of the wholesale nominee	Name of the nearest FCI lifting point	Name of the FCI point from which lifted	Year	Quantity lifted (in Qtls)	Additional distance	Rate of Transportation	Excess Transportation charges
1	Koppal	Koppal	Gadag	Bellary	2006-07	176051.60	23.10	0.65	2643414.77
					2007-08	33208.10	23.10	0.58	444922.12
					2008-09	32873.80	23.10	0.70	531569.35
		Kusthagi	Gadag	Bellary	2006-07	123207.80	51.50	0.65	4124381.11
					2007-08	26534.60	51.50	0.58	792588.50
					2008-09	25916.00	51.50	0.70	934271.80
		Yelburga	Gadag	Bellary	2006-07	123738.30	97.50	0.65	7841914.76
					2007-08	24698.10	97.50	0.58	1396677.56
					2008-09	27240.40	97.50	0.70	1859157.30
2	Gulbarga	Yadgir	Raichur	Gulbarga	2006-07	136921.00	21.40	0.43	1259947.04
					2007-08	123303.00	21.40	0.49	1292955.26
					2008-09	132710.00	21.40	0.52	1476796.88
3	Bijapur	Bijapur	Gulbarga	Hubli	2006-07	336.00	31.00	0.41	4270.56
					2007-08	496.00	31.00	0.33	5074.08
					2008-09	7611	31.00	0.30	70782.30
		Indi	Gulbarga	Hubli	2006-07	159	138.00	0.41	8996.22
					2007-08	1797	138.00	0.33	81835.38
					2008-09	7527	138.00	0.30	311617.80
		Sindagi	Gulbarga	Hubli	2006-07	683	149.8	0.41	41948.49
					2007-08	1787	149.8	0.33	88338.59
					2008-09	7790	149.80	0.30	350082.60
4	Davangere	Honnali	Harihar	Shimoga	2006-07	76760.36	7.00	0.22	118210.95
					2007-08	69492.24	7.00	0.37	179984.90
					2008-09	90995.80	7.00	0.37	235679.12

Sl No	Name of the district	Name of the wholesale nominee	Name of the nearest FCI lifting point	Name of the FCI point from which lifted	Year	Quantity lifted (in Qtls)	Additional distance	Rate of Transportation	Excess Transportation charges
5	Chamarajnagar	Chamarajnagar – I&II	Mysore	Maddur	2006-07	3514.00	38.9	0.31	42375.33
					2007-08	0	0	0	0
					2008-09	5283.80	38.9	0.31	63717.34
		Gundlupet-I&II	Mysore	Maddur	2006-07	0	0	0	0
					2007-08	0	0	0	0
					2008-09	63307.40	60.00	0.42	1595346.48
		Santhemarahalli	Mysore	Maddur	2006-07	0	0	0	0
					2007-08	0	0	0	0
					2008-09	34044.00	28.10	0.42	401787.29
								Total	**28198643.88**

Note : Distances are based on internet data

Appendix 2.5
(Reference: Paragraph 2.1.10.2, Page 24)
Statement showing erroneous allocation of lifting points of sugar (October 2007)
(Ref : Commissioner's Allotment Order No.CFS.PD.III.Sugar 07/2007-08 dt:24.9.07)

			Allotment by Commissionerate			Nearest Sugar Factory as per records seen in audit		
Sl No	**District to which allotment is made**	**Total Quantity in MTs**	**Allotted Sugar Factory**	**Quantity Allotted in MTs**	**Distance Travelled in Kms**	**Nearest Sugar Factory**	**Quantity lifted in MTs**	**Actual Distance in Kms**
1	Bellary	420.00	Hospet - Bellary	100.00	66.90	Hospet - Bellary	100.00	66.90
			Manoli - Belgaum	170.00	77.10	Bagalkot	170.00	143.00
			Siruguppa - Bellary	150.00	57.10	Siruguppa - Bellary	150.00	57.10
2	Chikkballapur	322.00	Manoli - Belgaum	117.00	452.00	Belgaum	322.00	452.00
			Sameerwadi - Bagalkot	205.00	548.20			
3	Dakshina Kannada	262.00	Kuppatagiri - Belgaum	82.00	465.60	Kuppatagiri - Belgaum	262.00	465.60
			Siddapur - Bagalkot	180.00	519.00			
4	Dharwad	325.00	Sameerwadi - Bagalkot	160.00	153.20	Sameerwadi - Bagalkot	263.00	153.20
			Buralatti - Belgaum	120.00	194.00	Bijapur	62.00	203.00
			Siddasamudra - Belgaum	25.00	68.40			
			Malaprabha - Belgaum	20.00	47.70			
5	Gadag	212.00	Bidar	212.00	438.90	Bagalkot	212.00	122.00
6	Gulbarga	678.00	Bidar	88.00	137.90	Hawalga - Gulbarga	300.00	58.20
			Hawalga - Gulbarga	300.00	58.20	Bidar	200.00	137.90
			Bijapur	90.00	158.00	Bijapur	178.00	158.00
			Badami - Bijapur	100.00	261.00			
			Badagandi - Bijapur	100.00	217.00			
7	Hassan	511.00	Hemavathi - Hassan	150.00	39.60	Hassan	150.00	39.60
			Mudhol - Bagalkot	86.00	519.20	Mysore	75.00	119.00
			Siddasamudra - Belgaum	275.00	438.00	Belgaum	286.00	438.00
8	Haveri	345.00	Haveri	100.00	0.00	Haveri	100.00	0.00
			Athani - Belgaum	245.00	287.00	Bagalkot	245.00	203.00
9	Kolar	336.00	Gem Sugars - Bagalkot	156.00	538.00	Buralatti - Belgaum	336.00	639.00
			Buralatti - Belgaum	180.00	639.00			
10	Koppal	250.00	Bijapur	250.00	199.00	Bagalkot	250.00	157.00
11	Mysore	680.00	K.R.Nagar - Mysore	100.00	41.00	K.R.Nagar - Mysore	100.00	41.00
			BAS - Mysore	300.00	24.20	BAS - Mysore	300.00	24.20
			Malaprabha - Belgaum	280.00	511.00	Mandya	280.00	45.10
12	Raichur	332.00	Sankeswar - Belgaum	88.00	402.10	Bidar	100.00	243.00
			Jem Sugars - Bagalkot	244.00	230.00	Bagalkot	232.00	230.00
13	Tumkur	667.00	Makkavali - Mandya	200.00	127.00	Bagalkot	248.00	438.00
			Chamundeswari - Mandya	155.00	110.70	Belgaum	419.00	509.10
			Sankeswar - Belgaum	312.00	509.10			
14	Udupi	169.00	Athani - Belgaum	55.00	521.00	Belgaum	169.00	521.00
			Mudhol - Bagalkot	114.00	450.00			
15	Uttara Kannada	281.00	Sameerwadi - Bagalkot	175.00	263.10	Belgaum	281.00	135.00
			Kuptagiri - Belgaum	106.00	135.00			
	Total				**9904.20**			**5798.9**
						Net additional distance		**4105.30**

Note : Distances are based on internet data

Statement showing erroneous allocation of lifting points of sugar (November 2007)
(Ref : Commissioners Allotment Order No.CFS.PD.III.Sugar 08/2007-08 dt:6.11.07)

			Allotment by Commissionerate			Nearest Sugar Factory as per records seen in audit		
Sl No	**District to which allotment is made**	**Total Quantity in MTs**	**Allotted Sugar Factory**	**Quantity Allotted in MTs**	**Distance Travelled in Kms**	**Nearest Sugar Factory**	**Quantity lifted in MTs**	**Actual Distance in Kms**
1	Bangalore Rural	172.00	Malaprabha - Belgaum	105.00	513.00	Malaprabha - Belgaum	172.00	513.00
			Imampura - Bidar	37.00	733.10			
			Siddapur - Bagalkot	30.00	574.00			
2	Bellary	320.00	Hospet - Bellary	100.00	60.10	Hospet - Bellary	100.00	60.10
			Manoli - Belgaum	88.00	240.00	Siruguppa - Bellary	100.00	53.80
			Siruguppa - Bellary	100.00	53.80	Bagalkot	120.00	192.00
			Malaprabha - Belgaum	32.00	278.00			
3	Chamrajnagar	231.00	Maheshwar -Chamrajnagar	200.00	0.00	Maheshwar - Chamrajnagar	200.00	0.00
			BAS - Mysore	31.00	20.90	Mandya	31.00	81.60
4	Chikkballapur	245.00	Rannanagar - Bagalkot	126.00	520.00	Nippani - Belgaum	245.00	489.00
			Nippani - Belgaum	86.00	489.00			
			BAS - Mysore	33.00	219.00			
5	Dakshina Kannada	216.00	Sameerwadi - Bagalkot	176.00	528.00	Hunshyal - Belgaum	216.00	493.00
			Hunshyal - Belgaum	40.00	493.00			
6	Gadag	163.00	Imampura - Bidar	163.00	438.10	Badami-Bagalkot	35.00	70.30
						Bijapur	128.00	182.00
7	Gulbarga	519.00	Hawalga - Gulbarga	300.00	58.20	Hawalga - Gulbarga	300.00	58.20
			Bhalki - Bidar	19.00	99.50	Imampura - Bidar	219.00	137.10
			Badagandi - Bijapur	100.00	217.00			
			Badami - Bijapur	100.00	261.00			
8	Hassan	389.00	Hemavathi - Hassan	100.00	39.60	Hemavathi - Hassan	100.00	39.60
			Sankeswar - Belgaum	134.00	401.00	BAS-Mysore	76.40	141.00
			Siddasamudra - Belgaum	100.00	438.00	Badami-Bagalkot	212.60	406.00
			Bhalki - Bidar	55.00	711.00			
9	Haveri	262.00	Haveri	100.00	0.00	Haveri	100.00	0.00
			Athani - Belgaum	162.00	287.00	Badami-Bagalkot	162.00	171.00
10	Kolar	256.00	Jem Sugars - Bagalkot	200.00	557.00	Kuptagiri - Belgaum	256.00	550.00
			Athani - Belgaum	38.00	639.00			
			Kuptagiri - Belgaum	18.00	550.00			
11	Koppal	191.00	Kuptagiri - Belgaum	163.00	203.00	Badami-Bagalkot	191.00	97.90
			Bijapur	28.00	199.00			
12	Raichur	253.00	Mudhol - Bagalkot	200.00	260.00	Imampura - Bidar	55.00	259.10
			Siddapur - Bagalkot	53.00	278.00	Mudhol - Bagalkot	198.00	260.00
13	Ramnagar	229.00	Ugarkhurd - Belgaum	132.60	576.00	Makkavali - Mandya	229.00	112.00
			Makkavali - Mandya	84.00	112.00			
			K.R.Nagar - Mysore	12.40	128.00			
14	Tumkur	504.00	Mandya	200.00	114.00	Mandya	247.00	114.00
			Koppa - Mandya	200.00	95.70	Sameerwadi - Bagalkot	232.40	468.00
			Makkavali - Mandya	23.00	119.00	Malaprabha - Belgaum	24.60	454.00
			Malaprabha - Belgaum	30.00	454.00			
			Sameerwadi - Bagalkot	51.00	468.00			
15	Uttara kannada	215.00	Siddapur - Bagalkot	215.00	225.00	Sankeswar - Belgaum	215.00	165.00
			Total		**12650.00**			**5567.70**
						Net additional distance		**7082.30**

Note : Distances are based on internet data

Appendix 2.6
(Reference: Paragraph 2.1.11.2, Page 26)
Abstract of number of unviable FPS in test checked taluks

Sl.No	District	Taluk	Total number of FPS	Number of cards held by FPS						
				0 to 50	51 to 100	101 to 200	201 to 300	301 to 400	401 to 500	Above 500
Rural Areas										
1	Belgaum	Belgaum Rural	165	1	7	39	47	34	17	20
		Chikkodi-Nippani	162	0	1	17	40	25	26	53
		Hukkeri rural	80	1	4	19	24	14	10	8
2	Gulbarga	Shahpur Rural	103	0	0	6	25	21	26	25
		Gulbarga Rural	121	0	1	29	38	26	17	10
		Aland Rural	132	0	0	19	48	26	25	14
		Hubli Rural	45	0	1	8	11	6	3	16
3	Hassan	Hassan Rural	127	0	0	22	47	33	14	11
		Sakaleshpur	58	1	3	15	14	11	11	3
		Belur Rural	75	1	0	3	11	13	17	31
4	Bidar	Bidar Rural	116	0	3	35	27	31	9	11
5	Kolar	Bangarpet Rural	106	1	0	4	16	29	23	33
Total			**1,290**	**5**	**20**	**216**	**348**	**269**	**198**	**235**
Urban Areas										
1	Gulbarga	Gulbarga IRA	46	2	4	1	11	5	4	19
2	Hubli	Hubli IRA	141	3	3	16	27	24	21	47
3	Bangalore	Bangalore North	290	36	74	118	49	10	3	0
		Bangalore South	267	27	34	70	56	14	44	22
4	Hassan	Hassan IRA	60	2	4	11	7	4	8	24
5	Belgaum	Chikkodi-Nippani(urban)	32	0	0	1	7	11	1	12
		Hukkeri IRA	7	0	0	1	2	1	3	0
Total			**843**	**70**	**119**	**218**	**159**	**69**	**84**	**124**

Appendix 2.7
(Reference: Paragraph 2.2.4, Page 32)
Details of sample units selected for audit

Sl.No	District	CHC/Block	PHC	Sub Centre
1.	Bidar	Basavakalyan	Rajeshwar	Rajeshwar -I
				Kowdiyala
			Hulsoor	Hulsoor -2
				Mirakkal
		Humnabad	Hallikhed	Hallikhed -2
				Chitakota\Hillapur
			Dubbalgundi	Dubbalgundi
				Shedola
		Bhalki	Halbarga	Choladapaka
				Hadahalli
			Nittur	Nittur-B
				Kosama
2.	Dharwar	Navalgund	Morab	Morab-C
				Kalawada
			Shalawadi	Tuppadakurahalli
				Ballarawada
		Kundgol	Yeliwala	Betadura
				Malali
			Gudageri	Kalasa-A
				Kalasa-B
		Kalaghatagi	Mishrikote	Ugnikeri
				Kuruvinakoppa
			Bommigatti	Bommigatti
				Tavarageri
3.	Dakshina Kannada	Bantwal	Vamanapadava	Chennai Thody
				Ajjibettu
			Benjanapadavu	Thankabelluru
				Badagabelluru
		Sullia	Sullia	Sullia-B
				Sullia -C
			Aranthodu	Sampaje
				Gonadka
		Mangalore	Adyar	Bajal- A
				Bajal- B
			Ambalagaru	Ambalagaru
				Perannur-B
4.	Chickmagalur	Mudigere	Nandipura	Handi
				Hesagol
			Kalasa	Karagadde
				Samse
		Koppa	Koppa	Andagaru

Sl.No	District	CHC/Block	PHC	Sub Centre
				Surya Devastana
			Jayapura	Balalukoppa
				Koge
		Kadur	Panchanahalli	Panchanahalli - Rural
				Viyaradagere
			Chowla Hiriyur	Chowla Hiriyur
				Bislere
5.	Tumkur	Kunigal	Kunigal	Kunigal -A
				Kaggere
			Yediyur	Nagasandra- B
				Gunagara
		Tiptur	Araluguppe	Rajathadipura
				Bidiregudi
			Halkurke	Halkurke
				Sarthavalli
		Sira	Baragur	Lakkanahalli
				Baragur
			Kallambella	C.B Agrahara
				Brahamasandra
6.	Chamrajnagar	Kollegal	Palya	Palya
				Kollanur
			Kamgere	Kongrahalli
				Singanellur
		Chamrajnagar	Santhemarahalli	Kavudawadi
				Yediyur
			Udigaly	Tammadahalli
				Shivapura
		Yelandur	Yelandur	Yelandur -A
				Yelandur- B
			Honnur	Duggahalli
				Kestur-A
7.	Bangalore-Rural	Nelamangala	Margondanahalli	Kereketaganur
				Arebommanahalli
			Hasiruhalli	Hasiruhalli-A
				Hasiruhalli-B
		Hosakote	Anugondanahalli	K.K.Agrahara
				Gundur
			Mugbala	Mugbala
				Begur
		Devanahalli	Sadahally	Sadahally-Rural
				Sadahally - Urban
			Aradesanahalli	Jalige
				Hegganahalli
8.	Karwar	Bhatkal	Balaki	Balaki
				Mudabhatkal

Sl.No	District	CHC/Block	PHC	Sub Centre
			Shirali	Shirali I
				Shirali II
		Sirsi	Heggadekatte	Samkande
				Devenalhalli
			Hulekal	Kakali
				Varaahalli
		Kumta	Bankikodla	Bankikodla
				Nadumaskeri
			Santhegute	Santhegute
				Marur
9.	Bijapur	B.Bagewadi	Wadawadagi	Wadawadagi
				Salawadgi
			Kolhar	Kolhara
				Hanamapura
		Sindhagi	Kalkeri	Kalkeri-B
				B.B.Ingalgi
			Malghana	D.Navadgi
				Yaragola
		Muddebihal	Nalatwad	Bijjur
				Hiremurla
			Kalagi	Kalagi-A
				Charchinakal

Appendix 2.8
(Reference: Paragraph 2.2.7.1, Page 38)
Inadequate physical infrastructure at health centres

Sl. No.	Particulars	Sub Centre	Primary Health Centre	Community Health Centre
1.	Total numbers audited	108	54	27
2.	Centres running without a building	53	10	Nil
3.	Centres having no government building	28	3	Nil
4.	No. of health centres where cleanliness was poor	41	6	Nil
5.	No. of health centres where required number of vehicles/ ambulance was not available	NA	36	2
6.	No. of health centres where Citizen's Charter was not displayed prominently in local language	45	13	1
7.	No. of health centres where suggestion/complaint box was not kept prominently	68	15	1
8.	No. of health centres where separate utilities for men and women not present	89	32	3
9.	No. of health centres where operation theatre/minor operation theatre not present (where applicable)	Not applicable	23	Nil
10.	No. of health centres where labour room not present (where applicable)	48	11	Nil
11.	No. of health centres where separate ward for male and female not present (where applicable)	Not applicable	14	NA
12.	No. of health centres where waiting rooms for patients was not present/not in good condition	NA	24	9
13.	No. of health centres with no provision of water supply	42	5	Nil
14.	No. of health centres with no provision of storage of water	94	25	Nil
15.	No. of health centres with no facility of sewerage	Not applicable	7	2
16.	No. of health centres with no facility of medical waste disposal	60	45	14
17.	No. of health centres with no electricity connection/power supply	55	1	Nil

Sl. No.	Particulars	Sub Centre	Primary Health Centre	Community Health Centre
18.	No. of health centres with no working facility of standby power supply/generator	Not applicable	39	2
19.	No. of health centres with no telephone connection	102	9	Nil
20.	No. of health centres with no computer	Not applicable	47	8
21.	No. of health centres with no accommodation facilities for attendants of admitted patients	Not applicable	Not applicable	22
22.	No. of health centres where accommodation facilities for staff was not present/occupied	45	20	Nil
23.	No. of health centres where accommodation facilities for staff was partially present/occupied	57	31	27

Appendix 2.9

(Reference: Paragraph 2.2.7.3, Page 39)

Deficiency in operation theatres

	Number of CHCs where equipment was present and functional	Number of CHCs where equipment was present but not functional	Number of CHCs where equipment was not present
Cardiac Monitor for OT	3	Nil	24 (89%)
Ventilator for OT	5	Nil	22 (81%)
Vertical High Pressure Sterilizer 2/3 drum capacity	16	6	5 (19%)
Shadow less lamp pedestal for minor OT	19	3	5 (19%)
Dusting machines	5	1	21(78%)
Nitrous oxide cylinder 1780 ltrs 8 for one Boyles Apparatus	17	1	9(33%)
EMO Machine	4	Nil	23(85%)
Defibrillator for OT	3	1	23(85%)
Horizontal High Pressure Sterilizer	19	4	4(15%)
Shadow less lamp ceiling track mounted	18	2	7(26%)
OT care/fumigation apparatus	24	1	2(7%)
Oxygen cylinder 660 litres 10 cylinder for one Boyles apparatus	18	Nil	9(33%)
Hydraulic operation table	19	1	7(26%)

Appendix 2.10

(Reference: Paragraph 2.3.4.1, Page 51)

Cropping pattern and water requirement
(Authority: Appendix VII of original estimate)

Cropping season and crop	Original estimate of Rs 98 crore *Atchkat* 35,614 ha Crop area 48,968 ha or 1,21,000 acres			Revised estimate of Rs 532 crore *Atchkat* 29,227 ha Crop area 44,591 ha or 1,10,141 acres		
	Hectares	Acres	Total water requirement in mcum	Hectares	Acres	Total water requirement in mcum[1]
Kharif season						
Hybrid jowar	8,094	20,000	12.39	6,579	16,250	10.07
Ordinary jowar	1,012	2,500	1.55	3,158	7,800	4.84
Sunflower	9,146	22,600	20.02	7,895	19,500	17.28
Navane	4,452	11,000	14.12	789	1,950	2.50
Grams	10,926	27,000	22.19	7,895	19,500	16.03
Total	33,630	83,100	70.27	26,316	65,000	50.72
Rabi season						
Rabi Jowar	2,833	7,000	25.16	3,360	8,300	29.84
Rabi Wheat	6,313	15,600	52.49	7,409	18,300	61.60
Rabi Pulses	4,452	11,000	31.61	4,583	11,321	32.54
Total	13,598	33,600	109.26	15,352	37,921	123.98
Bi-seasonal						
Garden crops	243	600	3.18	405	1,000	5.30
Grapes/ Lime	364	900	2.86	607	1,500	4.77
Hybrid Cotton	809	2,000	7.75	1,336	3,300	12.80
Sugarcane	324	800	8.13	575	1,420	14.43
Total	1,740	4,300	21.92	2,923	7,220	37.30
Grand Total	**48,968**	**1,21,000**	**201.45**	**44,591**	**1,10,141**	**212.00**

(TMC= Thousand Million Cubic feet)

i.	Total water requirement	=	212.00 mcum	OR	7.49 TMC	(212 / 28.3)
ii.	Requirement for Kharif crops	=	50.72 mcum	OR	1.79 TMC	(50.72 /28.3)
iii.	Requirement for Rabi crops	=	123.98 mcum	OR	4.38 TMC	(123.98 /28.3)
iv	Bi-seasonal	=	37.30 mcum	OR	1.32 TMC	(37.30 /28.3)
v.	Water requirement as per original estimate	=	201.45 mcum	OR	7.12 TMC	(201.45 /28.3)

[1] 1 TMC = 28.3 mcum

Appendix 2.11

(Reference: Paragraph 2.3.4.1, Page 51)

Calculation of Benefit Cost Ratio
(Statement II- Adopted as per page 726 of the Revised Estimate for Rs 532 crore)

(Rupees in lakh)

I. Gross receipts		
	Gross value of farm produce (col 7): for rabi crops	5,039.99
	Add: for dung receipt @ 30% of fodder expenses	151.20
	Total A	5,191.19
II. Expenses		
1.	Expenses on seeds (col 9) (22.41+109.80+56.605)	188.82
2.	Expenses on manures (col 11) (41.50+146.40+56.61)	244.51
3.	Expenses on bullock hired labour (col 13) (83+183+113.21)	379.21
4.	Fodder expenses @ 10% of gross value of produce	503.99
5.	Depreciation of implement @ 2.7% of gross value of produce	136.08
6.	Share and cashments @ 5% of total produce	251.99
7.	Land revenue @ 2% of gross produce	100.79
	Total B	1,805.39
III. Net value of produce	A – B	3,385.80
Benefit cost ratio		
I. Annual benefits		
a.	Net annual benefit after advent of irrigation	3,385.80
b.	*Less*: net annual benefit before advent of irrigation	1,713.35
	Net incremental benefit	**1,672.45**
II. Annual cost – Total (page 723 of revised estimate)		**6,311.857**
Benefit Cost Ratio = 1,672.45 ÷ 6,311.857 = 0.264		

Appendix 3.1
(Reference: Paragraph 3.1.1, Page 58)
Statement of ineligible grants to private ITIs during 1997-2008

Name of the Division	Name of the College	Name of the trade	No. of units	Date of affiliation	Date of admission to grant	Ineligible period	No. of employees	Total ineligible grant (Rs)
MYSORE	JSS ITI, Chamarajnagar	Electronic Mechanic	1	Aug-96	1/9/2000	1/9/2000 to 31/8/03	5	5,61,849
	MES ITI, Mysore	Electronic Mechanic	1	Aug-97	1/4/2001	1/4/2001 to 31/8/2004	5	10,52,123
	St. Philomena's ITI, Mysore	Fitter	2	Aug-94	1/10/2000	1/10/2000 to 31/8/2001	3	73,808
		Electronic Mechanic	2	Aug-98	1/10/2000	1/10/2000 to 31/8/2005	4	7,72,896
							Total	**24,60,676**
BANGALORE	TMAES, Chitradurga	Welder	1	Jan-93	1/1/1999	1/1/1999 to 31/12/1999	1	41,517
	Renukamba Rural ITC, Kukkawada	MMV	1	Jan-93	1/1/1999	1/1/1999 to 31/12/1999	1	40,302
	Lal Bahadur ITC, Madhugiri	Fitter	1	Aug-93	1/11/1997	1/11/1997 to 31/7/2000	5	5,39,268
	TMAES ITC, Shimoga	Electrician	1	Jan-96	1/11/1997	1/11/1997 to 31/12/2002	5	9,96,823
	TMAES, ITC, Bhadravathi	DPCS	1	May-96	1/8/1999	1/8/1999 to 31/7/2002	6	7,24,110
		Electronic Mechanic	1	Aug-95	1/8/1999			
		Welder	1	Aug-95	1/8/1999			
		Fitter	1	Feb-01	1/8/2000	1/8/2000 to 31/1/2008	5	23,53,110
		DMM	1					
							Total	**46,95,130**
HUBLI	Sreeman Madhwacharya ITC, Bagalkot	Fitter	1	July-93	1/8/1999	1/8/1999 to 30/6/2000	1	38,057
		Electronic Mechanic	1	July-93	1/8/1999	1/8/1999 To 30/6/2000	1	38,057
		Welder	1	July-93	1/8/1999	1/8/1999 to 30/6/2000	2	60,002
	Mallikarjuna ITC, Siddar, Karwar	Electrician	1	July-93	1/11/1997	1/11/1997 to 30/6/2000	2	2,45,052
		Fitter	1	June-94	1/11/1997	1/11/1997 to 31/5/2001	5	5,84,986
	Anjuman ITC, Sindagi	Fitter	1	Jan-93	1/11/1997	1/11/1997 to 31/12/1999	10	6,70,541
		Turner	1					
		Welder	1					
							Total	**16,36,695**
GULBARGA	KRESITC, Bidar	Electronic Mechanic	1	Feb-93	1/1/1999	1/1/1999 to 16/2/2000	1	46,878
	SVTI, ITC, Sindhanoor	Welder	1	Jan-93	1/1/1999	1/1/1999 to 31/12/1999	1	40,842

Name of the Division	Name of the College	Name of the trade	No. of units	Date of affiliation	Date of admission to grant	Ineligible period	No. of employees	Total ineligible grant (Rs)
	TMAES, ITC, HB Halli	Fitter	1	Dec-92	1/11/1997	1/11/1997 to 30/11/1999	5	4,03,005
	HKES, ITC, Gulbarga	Electronic Mechanic	2	Aug-93	1/11/1997	1/11/1997 to 31/7/2000	7	18,70,278
		I/M	2	Aug-98	1/11/1997	1/11/1997 to 31/7/2005		
		MMV	1	Aug-98	1/11/1997	1/11/1997 to 31/7/2005		
	Janathaseva Society, ITC, Gangavathi	Welder	1	Feb-93	1/1/1999	1/1/1999 to 16/2/2000	4	52,314
							Total	**24,13,317**
						Grand Total		**1,12,05,818**

Appendix 3.2
(Reference: Paragraph 3.1.1, Page 58)
Statement of excess grants released due to pay fixed during ineligible period

Sl. No.	Name of the Institution	No. of Officials to whom incremental benefit allowed	Excess grants with reference to basic pay (Amount in rupees)
1.	TMAES, ITC, Chitradurga	1	600
2.	Renukamba Rural ITC, Kukkuwada	1	600
3.	Lal bahadur ITC, Madhugiri	5	3,675
4.	TMAES ITC, Shimoga	4	92,225
5.	TMAES ITC, Bhadravathi	11	2,29,800
6.	MES, ITI, Mysore	4	1,38,200
7.	JSS ITI, Chamarajanagar	5	1,24,050
8.	St.Philomina’s ITI, Mysore	7	2,04,250
9.	Sreeman Madhwacharya ITC, Bagalkot	4	1,080
10.	Anjuman ITC, Sindagi	8	21,550
11.	Mallikarjuna ITC, Karwar	7	37,220
12.	Janatha Seva Society ITC, Gangavathi (Gulbarga Division)	4	4,500
	Total	**61**	**8,57,750**

Appendix 3.3
(Reference: Paragraph 3.1.4, Page 61)
Statement showing details of items executed after resumption and paid as per clause 15 (d)

(Amount in Rupees)

Sl. No.	Item of work	Unit	Quantity executed and paid as per clause 15 (d) rates	Higher rate paid as per 15(d)	Tender rate payable	Excess rate paid	Avoidable extra expenditure
-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-
Construction of Male Barracks							
1	EWE for foundation ordinary soil	Cum.	68.050	122.64	69.55	53.09	3,613
2	-do- in Ordinary Rock	Cum.	86.200	580.60	188.35	392.25	33,812
3	CC 1:4:8 – Foundation	Cum.	33.750	3,319.33	1,895.10	1,424.23	48,068
4	Granite stone Masonry-Foundation	Cum.	186.190	2,432.76	1,312.90	1,119.86	2,08,507
5	Granite stone Masonry-Basement	Cum.	38.520	2,889.21	1,602.90	1,286.31	49,549
6	CC 1:1.5:3-Plinth Beam	Cum.	5.300	7,010.01	3,034.60	3,975.41	21,070
7	Granite stone Masonry-Superstructure (ground floor)	Cum.	538.90	3,056.00	1,918.00	1,138.00	6,13,268
8	-do- (first floor)	Cum.	512.00	3,183.91	1,953.30	1,230.61	6,30,072
9	CC 1:1.5:3-Lintel (ground floor)	Cum.	24.250	7,193.74	4,454.65	2,739.09	66,423
10	do – (first floor)	Cum.	23.580	7,256.44	4,509.65	2,746.79	64,769
11	CC 1:1.5:3-Beams (ground floor)	Cum.	29.870	7,193.74	4,628.50	2,565.24	76,624
12	CC 1:1.5:3-Beams (first floor)	Cum.	56.15	7,256.44	4,683.55	2,572.89	1,44,468
13	CC 1:1.5:3-Roof Slab (ground floor)	Cum.	124.980	6,734.74	4,556.00	2,178.74	2,72,299
14	CC 1:1.5:3-Roof Slab (first floor)	Cum.	29.53	6,797.44	4,611.10	2,186.34	64,563
15	Providing Cement Mortar to slopes 1:3	Sqm.	551.25	128.91	92.20	36.71	20,236
16	Ground floor	Cum.	3.500	6,659.16	4,628.50	2,030.66	7,107
17	Providing & Fabricating MS/TS for RCC (ground floor)	Ton	24.691	55,947.05	41,452.85	14,494.20	3,57,876
18	-do- (First floor)	Ton	20.015	56,256.16	47,000.00	9,256.16	1,85,262
Construction of compound Wall							
19	EWE in hard soil-foundation	Cum.	293.000	183.08	141.60	41.48	12,154
20	EWE-Ordinary rock	Cum.	64.280	580.60	188.35	392.25	25,214
21	CC 1:4:8	Cum.	41.330	3,319.33	1,895.10	1,424.23	58,863

Sl. No.	Item of work	Unit	Quantity executed and paid as per clause 15 (d) rates	Higher rate paid as per 15(d)	Tender rate payable	Excess rate paid	Avoidable extra expenditure
22	Granite Masonry in CM1:6	Cum.	259.910	2,432.76	1,312.85	1,119.91	2,91,076
23	CC 1:1.5:3-Plinth Beam	Cum.	16.220	7,010.01	3,034.60	3,975.41	64,481
24	Granite Masonry in CM 1:6 – Superstructure	Cum.	1,065.860	3,056.00	1,921.45	1,134.55	12,09,271
25	Providing & Fabricating MS for RCC	Ton	1.587	55,947.05	47,250.00	8,697.05	13,802
						Total	**45,42,447**

Appendix 3.4

(Reference: Paragraph 3.1.6, Page 62)

Computation of avoidable cost of Rs 52.99 lakh (*)

Item of work: Formation of embankment by obtaining soil from borrow pits (item number 1.8)			
Rate as per tender			Rs 254
Total quantity executed (cum)			18,474.32 cum
Avoidable cost in item number 1.8 in Schedule B		Amount in Rupees	Rs 30,41,612.04 (164.64*18474.32)
1.	Cost of the earth	34.23	
2.	Lead charges 1 km to 10 km	31.50	
3.	Lead charges 11 km to 25 km	48.75	
4.	Adhoc increase at five *per cent*	5.72	
5.	Tender premium at 36.97 *per cent*	44.44	
	Total avoidable cost	**164.64**	
Avoidable cost in item number 1.6 in schedule B		Amount in Rupees	Rs 22,57,561.90 (122.20*18474.32)
1.	Lead charges upto 5 km	42.90	
2.	Lead charges 6 to 15 km	40.00	
3.	Adhoc increase at eight *per cent* allowed	6.56	
4.	Tender premium at 36.97 *per cent*	32.74	
	Total avoidable cost	**122.20**	

(*) Based on the DSR of NH circle, Bangalore adopted by the Division for estimation plus tender premium.

Avoidable cost on bringing soil from borrow area	**Rs 30,41,573.98**
Avoidable cost in disposing the available earth	**Rs 22,57,561.90**
Total avoidable cost	**Rs 52,99,173.94**

Appendix 3.5

(Reference: Paragraph 3.2.1, Page 63)

Loss of dividend income

Year	No. of shares at premium of Rs 200 Rs 34573600/300	Percentage of dividend	Dividend amount (in Rupees)
2004-05	1,15,245	0.5	57,622
2005-06	1,15,245	0.5	57,622
2006-07	1,15,245	25	28,81,125
2007-08	1,15,245	25	28,81,125
Total			**58,77,494**

Appendix 3.6

(Reference: Paragraph 3.2.1, Page 64)

Calculation of non-levy of BDC by the Government

Year	Gross turnover (in Rupees)	BDC at eight *per cent* of Gross turnover (in Rupees)
2004-05	22,30,07,546	1,78,40,603
2005-06	28,49,90,633	2,27,99,250
2006-07	34,66,93,429	2,77,35,474
2007-08	40,12,51,890	3,21,00,151
Total		**10,04,75,478**

Appendix 3.7

(Reference: Paragraph 3.2.3, Page 65)

Statement showing excess internet port charges paid by Bangalore University

(Amount in Rupees)

Year	Port charges for one Mbps bandwidth	Rate of education discount (Percentage)	Education discount admissible	Net port charges payable (including service tax)	Port charges actually paid	Excess paid	Voucher No. & date
2004-05	11,40,000 (April 2004 to March 2005)	25	2,85,000	9,23,400	46,00,775	36,77,375	2415/7.5.2004
2005-06	7,60,000 (April 2005 to November 2005)	25	1,90,000	6,28,140	35,63,196	26,54,046	7794/30.6.2005 7796/30.6.2005 7798/30.6.2005 7799/30.6.2005
	3,00,000 (December 2005 to March 2006)	15	45,000	2,81,010			
2006-07	6,00,000 (April 2006 to November 2006)	15	90,000	5,72,220	20,98,251	13,00,322	33585/5.1.2007
	2,36,667 (December 2006 to March 2007)	15	35,500	2,25,709			
2007-08	5,91,667 (April 2007 to January 2008)	15	88,750	5,64,272	12,85,085	6,57,233	43078/23.3.2007
	70,833 (February 2008 to March 2008)	20	14,166	63,580			
2008-09	4,25,000 (April 2008 to March 2009)	20	85,000	3,81,480	6,77,418	2,95,938	40833/31.3.2008
Total			**8,33,416**	**36,39,811**	**1,22,24,725**	**85,84,914**	

Appendix 3.8

(Reference: Paragraph 3.3.1, Page 71)

Excess Payment of Family Pension

Sl.No.	District	No. of cases	Amount (Rs)	Period
1	Bagalkot	25	5,30,839	4/07-8/08
2	Bangalore (R)	5	2,00,136	3/06-6/08
3	Belgaum	89	25,88,502	1/06-5/08
4	Bellary	23	6,62,883	9/97-7/08
5	Bidar	21	3,46,193	9/07-8/08
6	Bijapur	102	30,23,321	12/99-8/08
7	Chamarajnagar	16	1,94,072	8/06-3/08
8	Chickmagalur	22	5,15,864	6/06-10/08
9	Chitradurga	46	6,00,078	6/07-7/08
10	Davanagere	24	8,67,400	12/05-6/08
11	Dharwad	11	2,88,174	1/03-8/08
12	Gadag	12	2,32,986	2/07-7/08
13	Gulbarga	42	13,76,649	4/03-10/08
14	Hassan	41	9,04,745	7/07-7/08
15	Haveri	21	3,49,379	10/05-6/08
16	Hubli	9	2,31,479	2/07-12/08
17	Karwar	16	4,58,117	4/07-11/08
18	Kolar	56	18,77,779	5/02-3/08
19	Koppal	17	4,01,367	8/03-3/08
20	Madikeri	19	2,06,263	9/07-12/08
21	Mandya	56	9,16,611	2/07-7/08
22	Mangalore	8	1,14,704	1/08-12/08
23	Mysore	21	9,57,347	11/02-6/08
24	PPT	30	4,27,147	11/07-12/08
25	Raichur	41	13,09,686	5/05-9/08
26	Shimoga	21	3,51,310	1/05-5/08
27	Tumkur	35	14,36,063	2/06-12/08
28	Udupi	12	140420	1/08-10/08
	Total	**841**	**2,15,09,514**	