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 as under:

COMMERCE AND INDUSTRIES DEPARTMENT

3.1.1 Road works executed in disregard of norms resulted in wasteful expenditure

The Karnataka Industrial Area Development Board prepared estimates for road works in an industrial area in disregard of the specifications prescribed by the Indian Road Congress and executed an item of work in excess of requirement, incurring a wasteful expenditure of ₹ 90.10 lakh in the process.

Karnataka Industrial Area Development Board (Board), *inter alia*, constructs roads in the industrial estates developed by it across the State. For constructing these roads, the Board is to adhere to the specifications of the Indian Road Congress (IRC), which is the standard setting body prescribing the design of pavements for all categories of roads carrying motorised vehicles. IRC issued (2001) revised guidelines in the form of IRC-37-2001 recommending the design of new pavements based on traffic measured in terms of cumulative million standard axles (msa) and California Bearing Ratio (CBR[1]) of the sub-grade[2].

In respect of seven estimates sanctioned for constructing roads in the Harohalli Industrial Area, Phase II, Kanakapura taluk, the Board adopted a CBR value of six *per cent*. According to IRC-37-2001, the maximum thickness of

[1] CBR is a measure of resistance to direct penetration of any soil or granular material which is expressed as a percentage of the load carrying capacity of a standard crushed rock specimen determined by a penetration test.

[2] Sub-grade is the surface of the natural ground on which the whole road structure rests. It is the soil foundation receiving the traffic load from the pavement.

Granular sub-base (GSB)[3] to be provided for roads with a CBR value of six *per cent* was 260 mm for cumulative traffic up to 150 msa. However, the sanctioned estimates for the above road works provided for a GSB of 300 mm thickness for a cumulative traffic of 10 msa, which was in excess of even the maximum thickness of 260 mm prescribed by the IRC. This resulted in unnecessary construction of 9,034 cum of the GSB by contractors. On this being pointed out by Audit, the Board referred the audit observation to a consultant and requested for a technical evaluation of the pavement design. The consultant reported (August 2011) that the designer of the pavement had, at his discretion, adopted the following layers for a CBR value of six *per cent* and a cumulative traffic of 10 msa instead of those recommended by IRC- 37-2001.

	Pavement layers adopted by the designer (quantity in mm)	**Pavement layers as per IRC-37-2001 (quantity in mm)**
Granular Sub Base (GSB)	300	260
Granular Base (Base)	250	250
Bituminous overlays		
Bituminous Macadam (BM)	70	-
Dense Bituminous Macadam (DBM)	-	65
Bituminous Concrete	40	40

It was further reported that IRC-37-2001 was only a guideline and not a code and deviations from the IRC design were permitted provided the modified design guaranteed the same performance as that of the IRC design. Though avoidable expenditure had been incurred for the GSB in one sense, it was more than offset by savings on account of adoption of less expensive BM of 70 mm thickness against DBM of 65 mm thickness recommended by the IRC. The consultant justified the adoption of BM in lieu of DBM on the ground that the traffic in any industrial area would be initially of very low volume and would gradually increase over a period of 10 years when industrial establishments were set up progressively. It was, therefore, not bad to use a cheaper BM to cater to the low volume of traffic initially and to provide further overlays in future when the volume of traffic increased. The Government endorsed (September 2011) the report of the consultant. The reply was not acceptable for the following reasons:

The IRC guidelines are to be followed for all categories of roads predominantly carrying motorised vehicles and deviations, if any, are to be justified. There is no freedom to use discretion while designing pavements. It was seen that the estimates for the seven works had been prepared by another consultant who unjustifiably deviated from the IRC specifications while designing the thickness of GSB. These estimates did not discuss the deviations from the IRC guidelines and the Board also failed to notice the change before according sanction.

It was further noticed that replacement of DBM with BM did not result in any savings in cost as this change was not done by the consultant on his own but only on the basis of IRC-37-2001 which permitted this change depending on

[3] GSB consists of laying and compacting granular material such as natural sand, murram, gravel, *etc.*, on prepared sub-grade.

the traffic over the service life of the road. As the traffic during the initial stages of development of an industrial area would be low, provision of BM overlay was appropriate as per the IRC and no credit could be given to the consultant for this change. However, IRC-37-2001 does not permit increasing the thickness of GSB beyond 260 mm due to changes in the composition of bituminous overlays. Thus, there was no justification for increasing the thickness of GSB beyond 260 mm. According to the final bills of the contractors for these seven works paid between December 2009 and September 2010, the cost of unnecessary quantity of GSB executed aggregated ₹ 90.10 lakh which proved wasteful.

FOREST, ECOLOGY AND ENVIRONMENT DEPARTMENT

3.1.2 Unauthorised diversion of forest land

Ignoring the observation of Forest Department, the Revenue Department transferred 184.03 acres of land in Gulbarga district for establishing Central University, in contravention of Forest Conservation Act.

Section 2 of the Forest Conservation Act 1980, (FC Act) prohibits diversion of forest land[4] for non-forestry purposes without the prior approval of Ministry of Environment and Forest, Government of India (Ministry). In all cases of diversion of forest land for non-forest purposes, Net Present Value (NPV)/Compensatory Afforestation charges (CA) are recoverable from the user agency and State Government should transfer equivalent area of non-forest land to the Forest Department (FD) for afforestation purposes.

Government of Karnataka, Revenue Department (RD) issued (October 2008) orders for withdrawal of 285.39 *acres* of 'C' & 'D' category[5] land from the Land Bank in Aland taluk of Gulbarga district for establishment of a Central University. The Deputy Commissioner, Gulbarga district, (DC) issued allotment order (March 2009) of the land spread over two villages *viz.*, Kadaganchi village (184.03 *acres* in Survey No.196/1) and Suntanur village (101.36 *acres* in Survey No.10) in favour of the university.

Scrutiny of records of Deputy Conservator of Forest (Territorial) Division, Gulbarga (DCF), revealed (February 2011) that 184.03 *acres* of land in Kadaganchi village belongs to the FD as per the Record of Rights, Tenancy and Crop Certificate (RTC) issued by the Tahsildhar, Aland taluk. The DCF in letter dated 24 September 2008 apprised the DC that the said land was transferred by RD to FD during 1980-81 and afforestation being carried out since then under various programmes. The DCF also stated that the diversion of land for non-forest purposes required prior approval of Ministry, as per

[4] The Supreme Court of India in Godavarman's case *vs.* Union of India (WP-202/95) clarified (December 1996) that term 'forest land' occurring in the Act not only includes "forest" as understood in the dictionary sense but also any area recorded as forest in the Government records irrespective of the nature of ownership. Evidently this implies that the provisions of the Act enacted for the conservation of forests and with matters connected therewith, shall apply to all forest area irrespective of the nature of ownership or classification thereof.

[5] "C" category of land means land suitable only for afforestation and "D" category means land suitable for grazing as per Government letter dated 16.6.1970.

FC Act. However, these facts were not considered by the DC while allotting the land to the university on the ground that RD had transferred the 'C' & 'D' category land to FD only for the purpose of land bank and no notification declaring the land as "forest land" had been issued. It was noticed that a similar stand taken by RD earlier in another case (Writ Appeal No.1020/07) was dismissed (November 2007) by High Court of Karnataka citing Supreme Court judgement referred *supra* and provisions of the FC Act were followed in that case by realising NPV/CA and alternate land was also made available to FD for afforestation. Further, as verified in audit, the land in Sy No.196/1 did not form part of the Land Bank as stated by the RD in their withdrawal order issued in October 2008 and hence unauthorised.

In view of the ownership as per RTC and judicial pronouncement, the 184.03 *acres* of land in Kadaganchi village is forest land and its diversion for non-forestry purpose requires prior approval of the Ministry and NPV/CA charges amounting to ₹ 3.67 crore[6] were leviable. In addition, the Government should provide alternate land to FD for afforestation purposes.

In reply to audit observation, the DCF stated (February 2011) that the matter would be taken up with the Revenue Authorities.

The matter was referred to Government (March/April 2011); reply had not been received (December 2011).

3.1.3 Non-recovery of Net Present Value from the user agencies

Two forest divisions failed to recover the net present value of ₹ 8.86 crore from the user agencies for diversion of 133.96 hectares of forest land for non-forest purpose even after more than four years.

In pursuance of Apex Court judgments of October 2002/September 2006 for recovery of Net Present Value (NPV) of the forest land diverted under Forest (Conservation) Act, 1980 for non-forest purposes, Compensatory Afforestation Fund Management and Planning Authority (CAMPA)[7] clarified (October 2006) that NPV was recoverable in all cases from the user agencies where final approval for diversion of forest land was granted by the Ministry of Environment and Forest, Government of India on or after 30 October 2002 irrespective of the date of in-principle approval. The NPV is recoverable at varying rates prescribed by Apex Court ranging between ₹ 5.80 lakh and ₹ 9.20 lakh per hectare (ha) depending upon the quality, density and type of species. CAMPA further instructed (September 2007) that State Governments should stop all activities of the agencies to whom, land had been transferred in cases where NPV was not recovered.

Scrutiny of records (June 2010 and November 2010) of Deputy Conservator of Forest, (DCF) Ramanagaram and Gadag revealed that NPV was not recovered from user agencies for diversion of 133.96 ha of forest land even though the final approval for diversion were granted after 30th October 2002. The final

[6] NPV- ₹ 326.22 lakh (74.48 ha x ₹ 4.38 lakh) + CA - ₹ 40.37 lakh (74.48 ha x ₹ 54,200)
[7] An *ad hoc* body constituted by the Supreme Court of India

approval for diversion of forest land of 68.13 ha under the jurisdiction of DCF, Ramanagaram, for implementation of a road project[8] was granted in January 2003 and for diversion of 65.74 ha of forest land under the jurisdiction of DCF, Gadag, for a windmill power project[9] was granted in July 2004. However, NPV aggregating ₹ 8.86 crore[10] had not been recovered from the user agencies by the concerned DCFs even after four years of circular instructions and no action was taken to stop their activities. Though DCF Ramanagaram issued notice in November 2003 for payment of NPV, the proceedings were dropped by accepting the user agency's contention that NPV was not payable as the in-principal approval was granted before October 2002. But the NPV was payable in view of Apex Court judgement and CAMPA's clarification.

On this being pointed out (June and November 2010), DCF, Gadag replied that notice was issued in November 2008 and reminders were being issued to the agency. DCF, Ramanagaram issued notice to the agency in March 2011 for the payment of NPV of ₹ 6.28 crore after this was pointed out by the audit. However, NPV of ₹ 8.86 crore from the user agencies is yet to be recovered.

The matter was referred to Government (March 2011); reply had not been received (December 2011).

HOME DEPARTMENT

3.1.4 Failure to follow the prescribed procedure resulting in avoidable recurring financial burden

State Government sanctioned additional 31 posts for Railway Police without obtaining clearance from the Zonal Railways and continued to meet the entire cost of these additional posts from its resources instead of passing on 50 *per cent* of the expenditure to the Railways. The loss to the State exchequer during 2005-09 alone aggregated ₹ 1.48 crore. Inadmissible house rent allowance of ₹ 63.09 lakh had also been paid to Railway Police staff working in 18 stations.

According to Government Accounting Rules, 1990, the cost of Police functions on Railways, without distinction of Crime and Order Police, is to be shared between the State Government and Railways on 50:50 basis provided that the strength of the Government Railway Police (GRP) is determined with the approval of the Railways. Ministry of Home Affairs, Government of India (Ministry) had clarified (May 1979) that cases for increase of GRP should be based on merit and justification and individual cases were to be cleared by the State and the Zonal Railways concerned.

[8] By M/s Nandi Infrastructure Corridor Enterprise Limited for Bangalore-Mysore Infrastructure Corridor Project

[9] By M/s Subhash Projects and Marketing Limited

[10] Calculated as per Government of Karnataka Notification dated 17-01-2004:
(a) ₹ 5.05 crore (DCF Ramanagaram – 68.215 ha × ₹ 7.4 lakh/ha)
(b) ₹ 3.81 crore (DCF Gadag – 65.74 ha × ₹ 5.8 lakh/ha)

The State Government's sanctioned strength of GRP consisted of 949 posts distributed among four Zonal Railways. Of these, Government sanctioned (December 1980/September 1998) 31 posts (18 and 13 in the offices of Superintendent of Police, Railways, Bangalore and Inspector General of Police, Railways, Bangalore respectively) without the approval of the concerned Zonal Railways. As a result, the State Government had been burdened with the responsibility of meeting the entire cost of these 31 additional posts. During 2005-09 alone, the State Government spent ₹ 2.96 crore on these additional posts. Details of information for the remaining periods were awaited (December 2011). Failure of the State Government to obtain approval of the Railways for these additional posts of GRP for over 30 years resulted in recurring avoidable expenditure on the cost of GRP year after year. The loss to the State exchequer during 2005-09 alone aggregated ₹ 1.48 crore. Government stated (August 2011) that the Railway Board had been addressed to accord post facto approval for creation of these additional posts. However, the fact remains that Railway Board had not accorded approval for creation of these posts so far (December 2011).

According to Karnataka Government (Allotment of Government Quarters) Rules, 1999, a Government servant provided with rent free accommodation shall not be eligible for payment of House Rent Allowance (HRA). In disregard of these provisions, Superintendent of Police, Railways, Bangalore (SP) authorised payment of HRA to GRP staff who had been provided with rent free accommodation in 18 stations. This resulted in an excess payment of ₹ 63.09 lakh to the GRP staff during March 2008 to April 2010. Government stated (August 2011) that suitable instructions had been issued for recovery of excess payment of HRA. Details of recoveries were awaited (December 2011).

Thus, failure to follow the prescribed procedure for sanction of additional posts of GRP and irregular payment of HRA resulted in an avoidable financial burden of ₹ 2.11 crore (₹ 1.48 crore + ₹ 0.63 crore) to the State exchequer.

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

3.1.5 Excess payment due to incorrect computation

Wrong adoption of period of quarter to reckon base index and non-deduction of payments of variation items from the value of work done in price adjustment bills resulted in excess payment of ₹ 9.43 crore to a company in the construction of a building work.

The construction of circuit bench of High Court at Dharwad was entrusted (August 2006) by the Government to a construction company for ₹ 61.25 crore for completion in 18 months. Clause 44 of the agreement *inter alia* provided for Price Adjustment (PA) towards increase or decrease in cost of material and labour based on average consumer price index for the relevant quarter as compared to the base index. The base index for materials, labour was the average wholesale/consumer price index for commodities/ industrial workers

for the quarter preceding the date of opening of bids, and for bitumen/petrol, oil and lubricants (POL), the official retail price at the local depots on the day 30 days prior to the date of opening of bids was applicable. The PA was payable on the value of work done during each quarter excluding the value of work of variation items paid at mutually agreed rates. The rate payable for variation items was governed by Clause 13 of the agreement *i.e.*, schedule of rates prevalent at the time of execution of variation items with plus or minus tender premium.

The work was completed in September 2008 and a sum of ₹ 94.14 crore was paid[11] to the company which included ₹ 43.37 crore for work executed under variation items through running account bills. These bills included purchase of items such as furniture, consumer durables and inaugural expenses. In addition, the company was paid ₹ 15.44 crore as PA in seven bills. Scrutiny of the records of the Executive Engineer, PWP&IWT Division, Dharwad (EE) revealed excess payment towards PA on two counts *i.e.* (a) adoption of incorrect quarter for calculation of base index (b) inclusion of payments for variation items in the value of work done. The bids were opened on 01 July 2006 and as per terms of the agreement, the average index of three months[12] for the quarter ended June 2006 should be considered for the base index. But, the EE had considered average index of three months for quarter ended March 2006. The mistake in reckoning the quarter resulted in lower base index, which in turn resulted in excess payment of PA. Further, the variation items payments of ₹ 43.37 crore were not deducted from the value of work done for the purpose of PA. The total PA payable works out to ₹ 6.01 crore as against ₹ 15.44 crore paid resulting in excess payment of ₹ 9.43 crore. Thus, failure to regulate PA as per the terms of the agreement resulted in excess payment of ₹ 9.43 crore to the contractor as shown in the **Appendix-3.1.**

On the matter being referred to, the Government replied (September 2011) that the tender was originally scheduled for opening on 29 June 2006 but due to unavoidable reasons it was opened on 01 July 2006. Therefore, base index for the quarter ending March 2006 with reference to scheduled date of opening of bid was considered. Further, Government stated that PA was admissible for variation items as per mutually agreed terms even though these were paid as per the provisions of clause 13 and all the conditions of contract were applicable to such variation items also, hence PA was also paid on value of variations items executed.

The reply was not acceptable as Clause 44 of the agreement specified that date of opening of bid as the criteria for reckoning base index calculation. The Government's justification on payment of PA on variation items on mutually agreed terms was also not acceptable as Clause 13 of agreement specifies rates payable for variation items, which did not contemplate payment of PA on variation items as these items were paid at current SR with tender premium. It was admissible only if separately agreed upon between the parties with such terms and conditions while executing variation items and EE had clarified

[11] XV & final bill

[12] Average of consumer price index of material and labour for the months of April, May and June 2006

(May 2011) that no agreement was concluded in this regard. Hence, ₹ 9.43 crore paid to the contractor was outside the scope of the agreement and recoverable.

3.1.6 Extra expenditure due to deviation from norms

Contrary to Indian Road Congress norms, four Divisional Officers executed surface dressing in improvements to village road works resulting in extra expenditure of ₹ 2.48 crore.

The construction of rural roads (village roads and other district roads) is governed by Rural Road Manual (SP-20-2002) issued by the Indian Road Congress. The specifications *ibid* recommend bituminous surfacing of the road on previously prepared base course on the basis of rainfall of the area and traffic volume excluding two wheelers as given in the Table 5.1 of the manual to serve as wearing course, which is either with surface dressing (SD) or Pre-mix Carpet (PMC) with seal coat.

Executive Engineers of PWP&IWT Divisions, Chamarajanagar, Chikkaballapur, Davanagere and Sirsi (EE) took up 29 works of 'improvements to village road' under NABARD[13] assistance which were executed during 2007-2011. Scrutiny of the records (between August 2010 and May 2011) revealed that the sanctioned estimates of these works comprised construction of granular sub-base, three grades of metalling i.e. water bound macadam (WBM) as base course and two wearing courses *viz.*, single coat of SD as intermediate wearing course and PMC as final wearing course. The intermediate wearing course (SD) was executed in between base course (WBM) and final wearing course (PMC), which tantamount to execution of two wearing courses. The providing of intermediate wearing course was contrary to IRC norms as either of the wearing courses *viz.*, SD or PMC was to be provided over the base course. Conceding that the PMC being a richer wearing course provides longer life as compared to single coat SD, the execution of SD was avoidable. Hence, the extra expenditure incurred on SD in respect of 29 works aggregating to ₹ 2.48 crore **(Appendix-3.2)** was avoidable.

The Government replied (September 2011) that SD was necessary to serve as temporary wearing course as diversion of traffic was not possible on these single lane roads flanked by agricultural lands. Reply also stated that for smooth movement of traffic/pavers and for filling the voids in WBM, the SD was laid *in lieu of* primer coat to protect the WBM. Their reply was not acceptable for the following reasons:

- According to Clause 112 of Specifications for Road and Bridge Works (fourth revision), the works are to be carried out in half width of the single lane road where traffic diversion was not possible. Further, the WBM-Grade III metalling with screenings to fill the voids was carried out which form smooth surface to serve as temporary wearing course.

[13] National Bank for Agriculture and Rural Development

- The practice of SD *in lieu of* primer coat is not recommended by Ministry of Road Transport and Highways. The Clause 502 of Specifications for Road and Bridge Works (fourth revision) specifies application of primer coat over WBM before laying of any kind of bituminous courses. The primer coat not only functions as adhesion but also water proofs the surface thereby protect the WBM.

Hence, execution of SD either to serve as wearing course or to protect the WBM was not warranted and expenditure of ₹ 2.48 crore incurred on SD was avoidable.

3.2 Audit against propriety/Expenditure without justification

Authorisation of expenditure from public funds is 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.

HOUSING DEPARTMENT

3.2.1 Poor estate management resulting in loss of revenue

Karnataka Housing Board failed to measure the floor area before renting out its buildings and, consequently, collected rent from the occupants for a reduced carpet area, resulting in loss of revenue of ₹ 7.32 crore.

Karnataka Housing Board (Board) has in its possession several buildings across the State. The Board lets out these buildings and realises rent from the occupants at agreed rates after entering into agreements. One of the pre-requisites for letting out a property is that its floor area is correctly measured and incorporated in the agreement with the occupant. The Board let out its Combined Board Administrative Building Complex in Bangalore to 18 organisations including banks, Indian Airlines, State/Central Government Departments and private organisations since 1994 and kept renewing the agreements periodically. However, before entering into agreements with these organisations, the Board had not checked with the approved plan of the building nor measured the premises to be let out for reckoning the floor area. When the Board finally measured (October 2009) the let out premises, it found that except in the case of five organisations, the floor areas incorporated in the agreements with the occupants was far lower than the actuals. The Board sent notices to the occupants demanding higher rent prospectively from October 2009. However, only one organisation paid higher rent from October 2009 while the remaining twelve had not executed (September 2011) fresh agreements to facilitate recovery of higher rent for increased floor area.

While the Board sustained a loss of ₹ 5.93 crore upto September 2009 due to inclusion of lower floor area in the agreements with 13 organisations, it could

not enforce recovery of the differential rent aggregating ₹ 1.39 crore from 12 organisations even prospectively from October 2009 due to failure to enter into fresh agreements.

Government stated (September 2011) that various organisations had requested the Board at the time of entering into agreements not to consider common areas like steps, veranda *etc.*, for calculation of rent, as a result of which a reduced area based on mutual understanding was included in the agreements. The reply was not acceptable as the claim of the Government was not borne out by records. Scrutiny of the official notings on the file relating to the case showed that there was acceptance of the mistake committed in calculating the floor area initially and there was no reference in the notings to the mutual understanding between the Board and the organisations. Further, any concession to the occupants should have been given with proper justification and due approval of the Board. It was seen that the Board had not approved reduced floor area in these cases based on mutual understanding. Thus, while the Board lost ₹ 5.93 crore till September 2009 due to poor estate management, it faced the threat of losing another ₹ 1.39 crore due to failure to enter into fresh agreements with the tenants to facilitate recovery of higher rent from October 2009.

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

3.2.2 Doubtful execution of works

Pothole filling works costing ₹ 1.62 crore was irregularly taken up through piece work contractors after the issue of satisfactory maintenance certificate and without rescinding of contracts in four State Highway maintenance packages.

The maintenance of State Highways (SH) for three years in Tumkur district was taken by the Executive Engineer, Public Works, Ports and Inland Water Transport Division, Tumkur (EE) with financial assistance from Karnataka Road Development Corporation Limited (KRDCL). The scope of the work included carrying out improvements in selected reaches of the SHs as per Schedule 'B' of the contract document in the first year and maintenance of the SH free from potholes for the next two years at contractors cost. The provisions of the contract envisaged deduction of additional security deposit from the bills of the improvement works which was refundable every month after issue of satisfactory maintenance certificate by the EE. For the maintenance works remaining unattended as per the rectification standards, a penalty of two times the cost of unattended work was recoverable. The EE was responsible for the execution of works and forwarding the bills to KRDCL for making payment to the contractors.

The maintenance of 430.30 kms of SH comprising four packages was entrusted to three agencies for a sum of ₹ 17.02 crore between December 2005 and December 2006 as per the contracts approved by KRDCL. The contractors did not complete the improvement works in the first year within

the scheduled period and extension of time was allowed for completion of improvement works. The improvement works of the four packages were completed between March 2008 and March 2009 at an expenditure of ₹ 14.83 crore. During third year of the maintenance period, the EE took up rectification works on the ground that the contractors of the four packages did not maintain the SHs free from potholes. The approval of KRDCL was not obtained by EE before execution of rectification works. But it was noticed that EE (through the SE) had submitted a certificate of satisfactory maintenance of roads by the contractors. Despite issue of satisfactory maintenance certificate, the EE took up rectification works through piece work contractors at a cost of ₹ 1.62 crore as detailed below.

(₹ in lakh)

Sl No.	Name of the contractor/ package	Length of SH (kms)	Date of commencement of work	Date of actual completion of first year work & expenditure incurred	Date of completion of two year's maintenance period	Expenditure incurred on rectification works
1	Abdul Rehman/ Package 'A'	166	26.12.2005	20.11.2008 527.40	20.11.2010	78.56
2	B. Ibrahim/ Package 'C'	115	29.03.2006	31.12.2008 578.12	31.12.2010	66.25
3	Karnataka Crushers/ Package 'E'	104	03.04.2006	21.03.2008 201.70	21.03.2010	4.53
4	Karnataka Crushers/ Package 'F'	45.20	18.12.2006	05.03.2009 175.17	05.03.2011	12.60
					TOTAL	**161.94**

The EE during the contract period certified that roads were maintained by the contractors in good condition but executed rectification works during the same period which could not co-exist simultaneously. As such, the necessity of carrying out rectification works did not arise and rectification works executed at a cost of ₹ 1.62 crore were doubtful. In case of default by the contractors in proper maintenance of roads, the EE was required to terminate the contracts and obtain KRDCL approval for taking up rectification works. The rectification bills were required to be forwarded to KRDCL for adjusting against the additional security deposit. Further, penalty of ₹ 3.24 crore being the double the cost of rectification works was also recoverable from the contractors. This procedure was not followed by EE while taking up rectification works for ₹ 1.62 crore out of which ₹ one crore had already been paid which was irregular. The bills for the balance amount of ₹ 62 lakh were not forwarded to KRDCL as of August 2011.

The Chief Engineer (CE) in his reply (October 2011) accepted that the expenditure of ₹ 1.62 crore for maintenance of the road was incurred within the contract period and stated that recovery of ₹ 17.13 lakh in respect of one contractor has been recommended and balance amount would be recovered. The CE also stated that the satisfactory maintenance certificate was noted in

the measurement books (MB). The reply indicates that there was no scope for carrying out rectification works for ₹ 1.62 crore.

The matter was referred to Government in March 2011; reply had not been received (November 2011).

URBAN DEVELOPMENT DEPARTMENT

3.2.3 Skewed planning and faulty estimation resulted in escalating the cost of the reservoir and delaying its completion

Karnataka Urban Water Supply and Drainage Board awarded the work of improvements to a reservoir without resolving a long pending dispute over sharing of water and without preparing the estimate based on investigation. These lapses resulted in long delay in commencement of work and cost overrun of ₹ 9.17 crore including avoidable payment of ₹ 2.26 crore to the contractor on account of revised higher rates for comparable items, apart from delay in providing drinking water to the targeted population. The Board also made an excess payment of ₹ 1.63 crore to the contractor towards lead charges for casing material.

Karnataka Urban Water Supply and Drainage Board (Board) awarded (March 2006) the work of improvements to Jakkalamadagu reservoir, a source of drinking water to Chikkaballapur and Doddaballapur towns, to a contractor for ₹ 5.66 crore (1.68 *per cent* below the estimated cost of work put to tender) with the stipulation for completion within 9 months. The contractor did not commence the work as a dispute had been raised by the City Municipal Council, Chikkaballapur (CMC) and the local population regarding sharing of water from the reservoir. The dispute existed even at the time of the Board approving the estimate for the work for ₹ 6.25 crore in February 2005 and, consequently, the CMC had not allowed the Board to conduct any investigation of the tank before preparing the estimate. The Technical Committee which examined (July 2009) the work found that a comprehensive investigation of the reservoir had not been carried out, resulting in preparation of the estimate based on approximation.

The Board resolved the dispute only on 28 March 2007. As the contractor expressed inability to carry out the work at the quoted rates in view of the long delay in commencement, the Board approved (February 2008) higher rates for the entire work calculated at the Schedule of Rates of 2007-08 minus the tender abatement of 1.68 *per cent*. This resulted in an additional liability of ₹ 1.45 crore to the Board as the contract price increased to ₹ 7.11 crore. The Board stated (October 2011) that the dispute arose when the contractor commenced the work and the Board initiated action at various levels to solve the dispute. The reply was not factually correct as the dispute was within the knowledge of the Board at the time of approving the defective estimate in February 2005 as evidenced by Technical Committee's report of July 2009 and it was not prudent to take up the work without resolving the dispute.

Even after resolving the dispute, the Board could take possession of the reservoir only on 12 January 2009 after sanctioning a separate water supply scheme for Chikkaballapura town and delivering the materials for the scheme at the site of work. During execution, there was considerable mismatch between the scope of work as per tender and the requirement based on detailed investigation done after resolving the dispute. The major changes in the scope of work were as shown below:

(In metres)

Description of the work	As per tender	As per site conditions
Length of bund	340	345
Bed level/stripping level	805.80	798
Height of dam	17.27	25.03
Bottom width of bund	104.12	154.82

As these changes, due to faulty estimation, resulted in increases over the tendered quantities under several items besides many extra items, the Board approved (October 2009) extra payments to the contractor for the additional quantities and extra items based on Schedule of Rates of 2007-08 minus the tender abatement of 1.68 *per cent*. This further increased the contract price from ₹ 7.11 crore to ₹ 14.83 crore. The Board also approved (November 2011) extension of time upto November 2011. The contractor had been paid (December 2011) ₹ 7.91 crore and the work was in progress.

Thus, the long pending dispute over sharing of water from the reservoir, preparation of estimate based on approximation without any preliminary investigation and the consequences thereof in the event of awarding the work to a contractor were known to the Board. Absence of due diligence before commencement of work resulted in the cost of the work escalating by ₹ 9.17 crore including ₹ 2.26 crore on account of difference between the tendered rates and the revised higher rates for comparable items of work which was avoidable. Long delay in completion of the work also deprived the targeted population of drinking water supply.

Excess payment of lead charges for casing material

Consequent upon the Board's decision (February 2008 and October 2009) to make payments for the entire work based on Schedule of Rates of 2007-08 minus the tender abatement of 1.68 *per cent*, the scope of the work was revised wholesale, tendered rates were rendered invalid and the rate for any item of work was to be worked out afresh based on the site conditions. In the case of casing material brought by the contractor for constructing the embankment, a rate of ₹ 220.95 per cum had been worked out by the Board considering a lead of 20 kilometres (kms). Scrutiny of the test reports of borrow area samples, however, showed that the casing material had been brought from private lands only three kms away from the reservoir. A joint-inspection of the borrow areas for casing material by the audit staff and the representatives from the Board on 29 March 2011 also confirmed that the lead involved was only three Km. Although the results of the joint inspection were communicated to the Board through the Inspection Report on the accounts of the Board's Division at Bangalore, no action had been taken for downward

revision of the rate based on actual lead involved. As of December 2011, 1.75 lakh cum of embankment constructed with casing material had been paid for at a part rate of ₹ 199 per cum against the admissible rate of ₹ 105.90 per cum, resulting in an excess payment of ₹ 1.63 crore to the contractor.

The Board stated (October 2011) that a lead of 20 kms for casing soil had been considered while preparing the estimate after verifying its availability and the lead charges were calculated accordingly. It was further stated that the contractor was paying more than the rate approved for Government quarry to bring the casing material from a nearby private land and there was no loss to Government. The Board's reply implied that though the actual lead for the casing soil was less, a lead of 20 kms was nevertheless allowed to compensate the contractor for the extra cost incurred to bring the material from the private land. The reply was not acceptable as the Board's decision of February 2008 and October 2009 was to regulate payment for the entire work based on Schedule of Rates of 2007-08 minus the tender abatement of 1.68 *per cent* and the original tender conditions and rates were modified to that extent. While working out the revised rates, the Board should have considered the actual lead involved for the casing soil and not the presumptive lead of 20 kms adopted for preparing the original estimate. Thus, failure to regulate payments on the basis of actual lead facilitated an excess payment of ₹ 1.63 crore.

The matter was referred to Government in July 2011; reply had not been received (December 2011).

3.2.4 Wasteful expenditure on development of forest land

Bangalore Development Authority notified a forest land for acquisition, acquired it and developed residential sites on it, despite objections from the Forest Department. The Authority, however, had to return the acquired land to the Forest Department after incurring wasteful expenditure of ₹ 1.28 crore.

Bangalore Development Authority (BDA) issued (November 2002) preliminary notification under Section 17 (5) of the BDA Act 1975 for acquiring 1,532 acres and 17 guntas of land for the purpose of forming a residential lay out called Banashankari VI Stage Further Extension. The notification included 41 acres and 15 guntas of land in Survey No.5(P), 41 and 42 of Uttarahalli Manavarthe Kaval (UM Kaval). The Special Land Acquisition Officer (SLAO) of BDA served (January 2003) notices on the khatedars requesting them to file objections, if any. Deputy Conservator of Forests, Bangalore Urban Division (DCF) filed (June 2003) objections with the SLAO claiming that land in these three survey numbers belonged to the Forest Department and formed part of Turahalli Mini Forest as notified through a Government order of August 1934. In support of this claim, the DCF had submitted a comprehensive set of documents containing copies of Record of Rights, Tenancy and Crop Certificate (RTC), Pahani and Khatha certificates. DCF further brought to notice of the SLAO that the forest land had been encroached upon by unauthorised persons who had been attempting

to get the encroachments regularised illegally in their favour. The SLAO concurrently received objections from several persons who had claimed that they had been cultivating the land in these three survey numbers for more than sixty years. These persons had also brought to the notice of the SLAO that the High Court of Karnataka in response to a writ petition (December 2001) had ordered to maintain status quo.

Scrutiny of the writ petition showed that the RTC for 2000-01 described the land in these three survey numbers as Turahalli Mini Forest based on the entry in the Mutation Register. This had been challenged by the cultivators of the land before the High Court which observed that during the pendency of the writ petition, the mutation entry made in the name of the Forest Department should not be taken into consideration as legal and valid unless the said entry was proved by the Forest Department by producing relevant records. BDA did not delete these three survey numbers from the final notification (September 2003) despite production of records by the Forest Department evidencing that the land formed part of the Turahalli Mini Forest. DCF again requested (October 2003) the Commissioner, BDA to instruct the SLAO to drop acquisition of forest land in these three survey numbers. However, instead of dropping the acquisition proceedings, the SLAO passed (January 2004) an award for ₹ 3.65 crore for land in one of the survey numbers in favour of 20 persons who had claimed to have been cultivating the land. SLAO justified the award on the ground that though the mutation records showed the land as Turahall Mini Forest, the survey records described it as Government Kharab land. DCF subsequently informed (February 2004) the SLAO not to proceed with any developmental work on the forest land and also not to cut the standing trees. The final notification and the award were evidently finalised in haste without examining the evidence submitted by the Forest Department and without investigating the discrepancies between the mutation and survey records.

Meanwhile, BDA awarded (November/December 2003) the work of formation of sites, roads and other allied works in the acquired areas including the disputed land to two contractors and completed it in November 2004 at a cost of ₹ 6.17 crore. However, DCF by virtue of powers contained in Section 64 (a) of Karnataka Forest Act 1963 (amended in 1998) passed (January 2007) orders directing the Commissioner, BDA to vacate the forest land in these three survey numbers within 30 days. In his speaking order, the DCF observed that the revenue department had assigned new survey numbers to the forest land illegally and had transferred it to private parties. The order also explained how the evidence produced and correspondence initiated by the Forest Department had been persistently ignored by the SLAO. The order was made ex-parte as BDA did not participate in the proceedings to defend its position.

BDA returned the forest land to the Forest Department in February 2007 and did not make payment for the award passed by the SLAO in January 2004. According to the information furnished by the BDA in March 2009, the expenditure on developmental works undertaken on forest land aggregated

₹ 1.13 crore. In addition, the Forest Department had assessed the environmental loss and loss of timber/firewood at ₹ 14.60 lakh which had not been paid (July 2011) by BDA. Thus, hasty acquisition by BDA of forest land and completion of developmental works in disregard of the objections filed by the Forest Department resulted in wasteful expenditure of ₹ 1.28 crore. Details of action taken to fix responsibility for the lapses resulting in wasteful expenditure were awaited (December 2011).

The matter was referred to Government in July 2011; reply had not been received (December 2011).

3.2.5 Lack of due diligence resulting in extra payments to a company

Bangalore Water Supply and Sewerage Board awarded the work of providing and laying feeder mains for 82.12 kms in the newly added areas of Bruhat Bangalore Mahanagara Palike without being in possession of clear work fronts along the approved alignments. There was delay in handing over the work fronts, resulting in an avoidable extra payment of ₹ 12.69 crore to a construction company.

Consequent upon formation of Bruhat Bangalore Mahanagara Palike (BBMP), the geographical area of Bangalore increased from 598 to 800 square kilometres due to inclusion of the areas coming under seven City Municipal Councils (CMCs) and one Town Municipal Council (TMC). To provide water supply facilities to these newly added areas, Bangalore Water Supply and Sewerage Board (Board) awarded (April 2007) the work of providing and laying feeder mains to a construction company at a cost of ₹ 99.63 crore under three separate packages with the stipulation for completion by January 2008.

According to the contract agreements for these three packages, the Board was to hand over 75 *per cent* of the work fronts in a continuous block. As the work entrusted to the company consisted mainly of laying pipelines along the approved alignment in urban areas, the Board was required to work in close coordination with other agencies such as Railways, Bangalore Development Authority (BDA), Public Works Department (PWD), National Highways Authority of India (NHAI), BBMP *etc.*, to ensure that necessary clearances for laying the pipeline were secured and the existing utilities, wherever required, were relocated to provide clear work fronts on the date of entering into agreement with the company. Scrutiny, however, showed that the Board entered into agreements with the company without being in possession of 75 *per cent* of the work fronts, resulting in their delayed handing over as shown below:

Package No	Total length of pipeline	Areas handed over/Date of handing over
9a	24.40 kms	8.30 kms during the contract period 5.30 kms during March 2008 4.7 kms during the second half of 2008
9b	28.45 kms	13.50 kms during the contract period 3 kms during March 2008 10.80 kms during the second half of 2008
9c	29.27 kms	20.35 kms during the contract period The balance during the second half of 2008

Besides the delay in handing over the work fronts, the Board made changes in the approved alignment at many places based on the suggestions of agencies such as BDA, BBMP, NHAI *etc*. These changes resulted in increases over tendered quantities under many items besides several extra items not included in the tender. The company demanded (June 2009) higher rates for the balance work executed after the contract period and also for the excess quantities and extra items. Based on the company's demand, the Board approved (August 2010) extra payment of ₹ 17.05 crore to the company for the balance work executed beyond the contract period at the Schedule of Rates of 2007-08 and 2008-09 plus or minus the tender percentage. The Board also approved additional payment of ₹ 4.96 crore due to increase in quantities under tendered items and another ₹ four crore on account of extra items, escalating the cost of the three packages from ₹ 99.63 crore to ₹ 125.64 crore.

The Board stated (December 2011) that it entered into an agreement with the company, expecting that 75 *per cent* of the work fronts would be acquired as per plan. However, problems were encountered when coordinating with other agencies and acquisition of work fronts was consequently delayed. It was further stated that though approval had been given for additional payment of ₹ 17.05 crore to the company, effective measures were taken to restrict the additional payment to ₹ 12.69 crore. The reply was not tenable as there were deviations from the approved alignment at many places, changing the scope of the work and resulting in quantity overruns and many extra items. Coordination with other agencies should have been done before fixing the agency for the work instead of after commencement of work. These lapses evidenced lack of due diligence, resulting in avoidable extra payment of ₹ 12.69 crore to the company.

The matter was referred to Government in May 2011; reply had not been received (December 2011).

3.2.6 Faulty execution of a drinking water supply scheme rendered the scheme non-functional due to contamination of its source by sewage water

Karnataka Urban Water Supply Drainage Board executed a drinking water supply scheme without diverting the sewage flow draining into a tank which was the source for the scheme. The drinking water supply scheme remained non-functional despite a huge investment of ₹ 5.11 crore, depriving the intended population of drinking water supply.

Government approved (August 2007) a drinking water supply scheme to Chintamani town at a cost of ₹ 4.42 crore with Nekkundi tank as the source. The Karnataka Urban Water Supply and Drainage Board (Board) awarded (October 2007) the work to a contractor at the tendered amount of ₹ 3.71 crore for completion within a year. As of December 2011, the Board had made a payment of ₹ 3.47 crore to the contractor and incurred an expenditure of ₹ 5.11 crore[14] on the work. However, despite completion of all components of work, the drinking water supply scheme had not been commissioned (November 2011) as the tank had not filled and had also been contaminated by sewage water from the town draining into it. Audit scrutiny of the case showed the following:

During the initial investigation (September 2006) of the tank, Executive Engineer (EE) of the Board's Division at Bangalore had found that the tank had not filled during the last four years due to closure of its feeder channels. The report accompanying the estimate for the scheme had also highlighted this aspect. The estimate was sanctioned by the Board as the City Municipal Council (CMC) had taken action through the Minor Irrigation (MI) Department to clear the feeder channels in the catchment of the tank. Besides, the Board also cleared 10,033 cum of silt from eight feeder channels during May 2008. It was within the knowledge of the Board that the sewage water from the town was let into the valley draining into the tank and it was, therefore, imperative that the sewage was diverted before the tank could be used as a source for the drinking water supply scheme. The Board, however, failed to complete the work on diversion of sewage before taking up the drinking water supply scheme, resulting in sustained contamination of its source. Even as of December 2010, sewage water was found entering the tank during a joint-inspection of the tank by Audit and the Assistant Executive Engineer of the Board's sub-division at Chikkaballapur. Government stated (November 2011) that while the sewage entering the tank at the waste-weir had been diverted during August 2008, the diversion of sewage on the south-eastern side was in progress and nearing completion. It was further stated that the sewage flow on the south-eastern side was very meagre and it dried up before entering the tank. The reply was not acceptable as the scheme should have been commissioned, if there was no sewage inflow into the tank from the south-eastern side. However, the sewage diversion works had not been completed and the scheme had not been commissioned (November 2011)

[14] Civil works: ₹ 4.79 crore and electrical works: ₹ 0.32 crore

despite its completion at a cost of ₹ 5.11 crore. The water treatment plant/pump sets, which are likely to become dysfunctional if not put to use, had also not been tested and commissioned.

Thus, lack of planning in the execution of the drinking water supply scheme rendered it non-functional despite huge investment of ₹ 5.11 crore, resulting in denial of drinking water facility to the intended population.

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. One such case is 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 the enhanced rate of double the normal rate or fifty *per cent* of the last pay 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 sixty five years had he/she remained alive, whichever is earlier.

Failure on the part of the Public Sector Banks to monitor and adhere to the cutoff date for payment of Family Pension at enhanced rates resulted in excess payment of ₹ 2.36 crore in 772 cases by 30 District Treasuries during 2009-10, which were noticed in audit during 2010-11 **(Appendix 3.3**). In respect of 20 treasuries, further excess payment of ₹ 92.57 lakh was noticed in 255 cases, in spite of the excess having been pointed out in earlier years, resulting in continued excess payment of ₹ 1.61 crore **(Appendix 3.4**). These are only illustrative cases.

Though such excess payments of Family Pension had been pointed out repeatedly in the Reports of the Comptroller and Auditor General of India, no effective steps were taken by the Government to guard against the excess payments. Further, the Government did not enforce the provisions of Indemnity Bonds executed by the Public Sector Banks for recovery of the excess payments made to the pensioners. As a result, the irregularity has persisted.

The matter was referred to Government (July 2011); reply had not been received (December 2011).

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 are discussed below:

TOURISM DEPARTMENT

3.4.1 Investment on an incomplete road due to failure to secure the requisite forest land

In order to promote tourism, the Department of Tourism took up improvements to a road connecting a tourist place without initiating proposal for securing the release of forest land from the Central Government. The road remained incomplete despite huge investment of ₹ 7.64 crore due to non-availability of forest land defeating the objective of promoting tourism.

According to the guidelines on Forest (Conservation) Act 1980 issued by the Ministry of Environment and Forest, Government of India (Ministry), where a project involves forest and non-forest land, work should not be commenced on non-forest land till approval of the Central Government for release of forest land under the Act has been given.

Based on the proposal of the Department of Tourism (Department) to take up improvements to the road from Sampekatte to Kodachadri, a tourist spot in Karnataka, through Karnataka Road Development Corporation Limited (Corporation), Government approved (March 2007) the road project at a cost of ₹ 9.96 crore. Although the project road involved forest land from Kattinahole to Kodachadri, the Department had not secured the release of forest land required for the road project. However, it released ₹ 10 crore and ₹ 7.79 crore to the Corporation during March 2007 and May 2009 respectively for the road project and other works of the department. Prior to taking up the work, the Corporation, which was only an agency for executing the road project against funds deposited by the Department, submitted the proposals to the Forest Department in September 2008 and February 2009. The Corporation informed (August 2009) the Department that the proposal for release of 4.64 hectares of forest land in the reach from Kattinahole to Kodachadri had been pending with Deputy Conservator of Forests, Sagar due to non-allotment of an equal area of non-forest land by the Revenue

authorities. Permission for release of another 750 metres of the road in the same reach was to be obtained from Wild Life Board, Government of India as it came under the Kudremukh Wild Life Division and Kollur Wild Life Area. The Corporation requested the Department to obtain permission from the Wild Life Board and also from the Ministry to facilitate completion of the road.

Meanwhile, the Corporation, without waiting for release of forest land, completed (July 2009) improvements to the road from Sampekatte to Kattinahole at a cost of ₹ 7.64 crore, except for a distance of 900 metres where a bridge was to be constructed. Government entrusted the bridge work (Cost: ₹ 2.9 crore) to the Corporation in July 2011 and expenditure of ₹ 65.25 lakh had been incurred (August 2011). After adjustment of consultancy and other charges, ₹ 6.79 crore was lying with the Corporation unutilised (September 2011).

As no further progress had been achieved on the work despite availability of funds, the purpose for which the road project had been taken up remained unachieved despite a huge investment of ₹ 7.64 crore. The Director stated (November 2011) that the Principal Chief Conservator of Forests (Head and Forest Force) had requested (October 2011) the Additional Chief Secretary to send the proposal for diversion of 4.95 hectares of land to Government of India (GOI). It was further stated that the project would be completed once the approval of GOI was received. The reply was not tenable as the proposal for diversion of land had not been submitted to GOI even three years after the Corporation sought release of land from the Forest Department in September 2008. Consequently, the road project taken up in disregard of the Ministry's guidelines, resulted in blockage of ₹ 7.64 crore. The objective of promoting tourism by providing a dedicated standalone link to Kodachadri was also not achieved.

The matter was referred to Government in June 2011; reply had not been received (December 2011).

WATER RESOURCES DEPARTMENT – MINOR IRRIGATION

3.4.2 Unfruitful expenditure due to non-acquisition of land

Construction of a minor irrigation tank taken up in January 2000 was not completed even after eleven years of its commencement and the drought area was deprived of the benefit of irrigation despite impounding water in the tank and spending ₹ 8.50 crore.

The codal provisions[15] requires taking up of projects of works after obtaining sanction, preparation of design & drawings after proper survey, ensuring provision of funds and availability of required land so that the project could be completed within the stipulated time to realise the intended benefits. Any

[15] Paragraphs 193(1), 209 and 211 of Karnataka Public Works Departmental Code Vol I

delay in providing these inputs results only in time and cost overrun and postponement of benefits.

Government sanctioned (January 1999) construction of a minor irrigation tank near Alur Belur, a drought prone area in Aurad taluk of Bidar district to irrigate 934 hectare (ha) land at an estimated cost of ₹ 4.30 crore under NABARD[16] assistance. The work was entrusted (June 1999) to Karnataka State Construction Corporation Limited (KSCC) for ₹ 3.65 crore for completion by March 2002 and the cost was revised to ₹ 8.35 crore and a supplementary agreement was executed (July 2002) on account of additional items/extra quantities. The additional items were due to change in scope of work such as, increase in foundation for bund, extra lead charges, change in alignment of tail channel *etc.*, which indicates inadequate survey and investigation. KSCC had executed bund and allied works costing ₹ 6.42 crore and NABARD assistance was fully utilised**.** As the Government ordered (December 2002) for withdrawing of all the works entrusted to KSCC**,** this work was also withdrawn from KSCC. The balance work relating to canals, cross drainage works *etc.*, had not been taken up since December 2002. As at the end of March 2011, total expenditure of ₹ 8.50 crore was incurred and construction of canals with cement concrete lining had not been taken up.

Scrutiny of records of the Executive Engineer, Minor Irrigation Division, Bidar (EE) revealed (March 2010) inordinate delay in taking up balance work of construction of canals to achieve the objective of providing irrigation. Though tenders for the balance works costing ₹ 2.13 crore were invited (May 2003) it had to be cancelled as NABARD declined to provide further assistance. In the meanwhile ₹ 25 lakh was deposited with Revenue authorities against demand of ₹ 75.45 lakh for initiating land acquisition proceeding for 65 acres and 30 guntas of land required for the construction of canals. Sufficient grant was not made available by the Government for taking up the balance work. The revised project cost of ₹ 14.94 crore was approved (September 2009) by Government with balance works costing ₹ 6.45 crore. The Government decided (July 2010) to take up the balance works under AIBP[17]. It was noticed from the revised estimate that irrigable area was reduced by 54 *per cent* from 934 ha to 430 ha. As a result of tardy implementation, the project cost has increased from ₹ 4.30 crore to ₹ 14.94 crore and cost per hectare works out to ₹ 3.47 lakh against ₹ 75,000 per hectare applicable for new works as per the prevailing norms.

Thus, due to non-completion of canals, the expenditure of ₹ 8.50 crore was rendered largely unfruitful as the command area could not be irrigated despite storage of water in the tank.

The EE replied (June 2011) that AIBP approval had since been received, tenders for balance works had been invited and these would be completed in 18 months after entrustment. However, the fact remains that land acquisition

[16] National Bank for Agriculture and Rural Development
[17] Accelerated Irrigation Benefit Programme

process is still in a preliminary stage and amount demanded for land acquisition has not been deposited fully. The invitation of tenders for execution of the balance works without being in possession of land was imprudent and violated codal provisions.

The matter was referred to Government in February 2011; reply had not been received (December 2011).

BANGALORE **(D. J. BHADRA)**
THE **Principal Accountant General**
(Civil and Commercial Audit)

COUNTERSIGNED

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