



Chapter 2

Performance Audit

2.1 Working of Sericulture Department

CHAPTER 2

PERFORMANCE AUDIT

HORTICULTURE DEPARTMENT

2.1 Working of Sericulture Department

Executive summary

Sericulture is an agro based cottage industry involving cultivation of host plants, rearing of silkworms and finally silk yarn. Karnataka is the leading State where sericulture is practiced with a tradition of more than 200 years and is the home land of the popular Mysore silk. The State produces the mulberry variety of raw silk and accounts for 44 *per cent* of the country's total mulberry raw silk production. Various schemes are being implemented by the department to increase the production of silk and an expenditure of ₹ 381.30 crore was incurred between 2008 and 2013.

A Performance Audit of the working of the Sericulture Department was conducted during March to June 2013 covering the period 2008-13. The major findings were as follows:

- The mulberry cultivation area in the State decreased from 91,434 hectare (ha) to 74,128 ha.
- Savings of ₹ 244.73 crore persisted under Plan expenditure constituting 39.10 *per cent* of total grants and huge balance of ₹ 127.46 crore available under Price Stabilisation Fund was not utilised.
- Non-plan expenditure exceeded Plan expenditure and many of the departmentally owned units were incurring huge losses.
- Identification of schemes for gender budgeting was incorrect.
- While the raw silk production stagnated; the expenditure towards subsidies and incentives had increased manifold.
- Production of Bivoltine silk had not been accorded priority though objective of major schemes was linked to Bivoltine.
- Many instances were noticed where the subsidies and incentives under different schemes were disbursed in violation of guidelines.
- Sericulture activity in non-traditional area registered negative growth.

2.1.1 Introduction

The production of silk, is divided into five phases *viz.*, cultivation of host plants, silkworm seed production, rearing of silkworms, reeling of raw silk and weaving of silk. The cultivation of host plants such as mulberry on which the worm feeds and rearing of silkworms are farm based activities. Karnataka is the leading sericulture state for only mulberry raw silk production. The climatic condition of Karnataka favour sericulture throughout the year. Sericulture has traditionally been a very important non-agricultural farm based activity in the State contributing as much as 0.30 *per cent* to the GSDP.

Realising the benefits of sericulture in employment generation in rural areas at low investment, both Central and State Governments provide financial, technical and marketing assistance under various schemes to boost productivity as well as to attract fresh cultivators.

Sericulture as a subject was earlier dealt with by the Commerce & Industries Department and was then shifted to Horticulture Secretariat by Government of Karnataka (Government) during May 2011.

The objectives of the Sericulture Department (Department) are to:

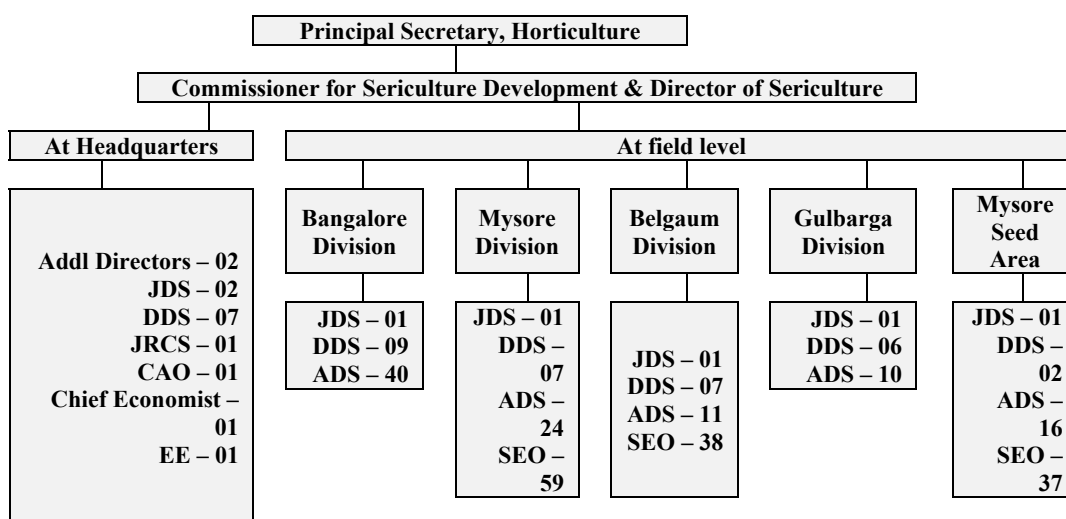
- increase of mulberry silk production through horizontal and vertical expansion besides increasing productivity by reducing production cost;
- encourage contract/corporate farming and undertake market reforms;
- strengthen sericultural research and development;
- promote sericulture in northern part of the State.

The Performance Audit of the Department was selected as Karnataka is the leader in silk production in the country and sericulture has the potential of providing gainful employment to rural masses.

2.1.2 Organisational structure

At the Government level, the Principal Secretary, Department of Horticulture is responsible for all matters relating to sericulture in the State. A detailed organisation structure is shown in an organogram in **Chart 2.1:**

Chart 2.1: Organisational Chart of Sericulture Department



2.1.3 Audit objectives

The Performance Audit was conducted to assess whether:

- funds provided were adequate and releases were timely;
- the State has a well defined policy for development of sericulture and long/medium/short term plans were in accordance with the policy;
- the schemes/programmes were implemented as per prescribed norms/guidelines and were beneficial to stakeholders;
- the farms, grainages, filatures and silk exchanges were managed efficiently;
- manpower was adequate; and
- internal control system was adequate and functioning effectively.

2.1.4 Audit Criteria

The audit findings were benchmarked against the following:

- The Central Silk Board Act, 1948 and Central Silk Board Rules, 1955 as amended till November 2008;
- The Karnataka Silkworm Seed, Cocoon and Silk yarn (Regulation, Production, Supply, Distribution and Sale) Act, 1959 and Rules made there under;
- Scheme guidelines issued by Government of India and State Government;
- The Karnataka Financial Code and Budget Manual; and
- Instructions, Circulars/ Orders issued by Government.

2.1.5 Audit scope and methodology

The activities of the department from seed production up to reeling of silk yarn were covered during Performance Audit. The Performance Audit covers examination of records for the period 2008-09 to 2012-13 in the offices at the Government level, Commissionerate level, three⁶ Joint Directors and eight⁷ Deputy Directors. Stratified sampling/simple random sampling methods were adopted for selection of offices/units. Six⁸ schemes out of 16 schemes, which include two centrally sponsored schemes, were selected for Performance Audit based on judgmental sampling method. The functioning of silk farms, grainages, filatures and silk exchanges were also generally reviewed. The scope included obtaining data from Central Silk Board (CSB) to present

⁶ Bangalore, Belgaum and Mysore seed area

⁷ Bagalkot, Bangalore Rural, Chikkaballapur, Dharwad, Gadag, Haveri, Ramanagara and Tumkur

⁸ Catalytic Development Programme (CDP), Reshme Varadana Yojane (RVY), Development of silk rearing activity, Rashtriya Krishi Vikasa Yojane (RKVY), New initiative for Sericulture Development and Building (works)

holistic picture of sericulture activities/development in the State. Beneficiary survey was also conducted to assess the impact of the schemes. In addition, the activities of the Karnataka Silk Marketing Board Limited (KSMBL), a public sector undertaking, involved in purchase/sale of silk yarn to ensure silk price stabilisation was also generally reviewed.

An entry conference was held on 25 April 2013 outlining the scope, objective criteria and methodology of performance audit. The audit findings were discussed in exit conference held on 28 October 2013 and the replies of the Department have been incorporated suitably in the review.

The Indian Audit and Accounts Department acknowledges the co-operation extended by Department of Sericulture in the conduct of Performance Audit.

The audit findings are discussed in the succeeding paragraphs:

2.1.6 Financial Management

2.1.6.1 Preparation of budget estimates

The Finance Department in their annual instructions regarding preparation of budget estimates emphasised that “object heads” should be operated for simplified classification of expenditure and the concerned departments should provide for the schemes only under these object heads. The operation of “object heads” vests with the concerned budget preparation officers. The object head “059” refers to “other expenditure” while object head “106” refers to “subsidies”.

Review of budget estimates of the Department for the years 2008-13 showed that provision for subsidy payments were being made under the object head “059-Other expenditure” instead of “106-subsidies” and thus, ₹ 263 crore under six⁹ schemes paid towards subsidies were incorrectly depicted in accounts.

The Commissioner agreed (October 2013) to take up the matter with the Government.

2.1.6.2 Failure to utilise grants

The Government of India and State Government provide funds under plan head for implementation of various schemes/programmes comprising two Centrally Sponsored Schemes (CSS) and 14 State Plan Schemes (SPS), out of which one CSS and five SPS were being implemented from 2011-12. The details of budget estimates, expenditure, savings and surrenders during 2008-13 were as shown in **Table 2.1**:

⁹ CDP, RKVY, Development of silk rearing activities, New initiative for sericulture development, Sericulture cluster development and RVY

Table 2.1: Details of budget provisions and expenditure

(₹ in crore)

Year	Plan/ Non-plan	Budget Provisions			Actual expenditure	Savings / (percentage)	Amount surrendered, if any	Un- surrendered savings, if any
		Original	Supple- mentary	Total				
2008-09	Plan	48.14	0	48.14	45.82	2.32 (4.82)	0	2.32
	Non plan	86.08	6.42	92.50	78.67	13.83(14.95)	13.83	0
2009-10	Plan	55.64	0	55.64	34.53	21.11(37.94)	0	21.11
	Non plan	86.02	2.00	88.02	77.42	10.60(12.04)	11.12	-0.52
2010-11	Plan	54.00	40.39	94.39	74.51	19.88(21.06)	9.20	10.68
	Non plan	91.59	12.13	103.72	87.05	16.67(16.07)	14.52	2.15
2011-12	Plan	179.75	41	220.75	102.43	118.32(53.60)	60.43	57.89
	Non plan	99.39	10.49	109.88	94.64	15.24(13.87)	13.53	1.71
2012-13	Plan	191.00	16.11	207.11	124.01	83.10(40.12)	0	83.10
	Non plan	126.94	1.95	120.55*	106.59	13.96(11.58)	0	13.96
Total	Plan	528.53	97.50	626.03	381.30	244.73(39.09)	69.63	175.10
	Non plan	490.02	32.99	514.67*	444.37	70.30(13.66)	53.00	17.30

* Includes re-appropriation of ₹ 8.34 crore

{Source: Grant Register maintained by Pr AG (A&E)}

As may be seen from Table 2.1, the budgetary allocation under plan heads made from 2010-11 and onwards increased substantially as compared to 2008-10 and the increase was due to introduction of six new schemes and allotment of more funds for the existing schemes. The savings persisted in all the years and the total savings was ₹ 315.03 crore constituting 28 per cent of the total grant. Out of ₹ 315.03 crore savings, only ₹ 122.63 crore was surrendered and ₹ 192.40 crore was allowed to lapse. The major savings were observed under Catalytic Development Programme (CDP) and “New Initiative for Sericulture Development”, a State Sector Scheme aggregating ₹ 141.03 crore and ₹ 84.05 crore respectively out of total Plan savings of ₹ 244.73 crore during the period 2008-13.

The Commissioner attributed (October 2013) the savings to late release of funds by CSB, sudden fall in cocoon and silk prices due to reduction of customs duty and prevalence of severe drought. The reply was not acceptable as savings persisted in all the years under plan and non-plan head of accounts.

2.1.6.3 Plan expenditure inflated

The Karnataka Sericulture Project II, a world bank assisted scheme was implemented between 1990 and 1996 with 770 sanctioned posts and their pay and allowances were charged to the project. Though project came to an end during 1996, the pay and allowances of 138 posts continued to be charged to Plan expenditure and total expenditure of ₹ 14 crore was charged during 2008-13. The irregular charging of expenditure had resulted in inflating the plan expenses.

2.1.6.4 Non-Plan expenditure

The non-plan expenses comprising salaries, allowances, other establishment charges etc., exceeded the plan expenses i.e., grant of subsidies, incentives during 2008-13 as shown in **Table 2.2:**

Table 2.2: Details of expenditure

(₹ in crore)

Year	Plan Expenditure			Non-plan expenditure
	CSS	SPS	Total	
2008-09	24.43	21.39	45.82	78.67
2009-10	20.46	14.07	34.53	77.42
2010-11	50.89	23.62	74.51	87.05
2011-12	57.75	44.68	102.43	94.64
2012-13	64.85	59.16	124.01	106.59
Total	218.38	162.92	381.30	444.37

{Source: Grant registers maintained by Principal Accountant General (A&E)}

We observed that the overall non-plan expenditure exceeded the plan expenditure except in the years 2011-12 and 2012-13. Owing to removal of restrictions on the various activities of silk production by Government of India during November 2008, the Department should have reassessed its manpower so as to reduce the non-plan expenditure. The excess staff and unviable departmental undertakings/wings contributed to higher non-plan expenditure. The Revenue Reforms Commission also recommended closure of unviable units. This resulted in reduced availability of funds for planned development of sericulture activities in the State.

The Commissioner stated (October 2013) that action will be initiated to take up a study to identify the excess staff and unviable departmental undertakings/wings in order to control the non-plan expenditure.

2.1.6.5 Gender budgeting in respect of Sericulture Department

Karnataka is a pilot state to initiate gender budgeting in 2006-07 with a commitment from the State Government. Gender based budgeting helps to prioritize and orient public expenditure to reflect the concerns of women. To give focus to this, a Gender Budget Cell was set up in January 2007 in the Finance Department to identify the quantum of resource allocation and expenditure for women and proper translation of policy commitments. The fine-tuning of the process to classify schemes is continuous.

We observed that though eight heads of accounts with overall provision of ₹ 241.65 crore implemented by the Department under Central/State Sector were included under category B¹⁰ in gender budget for the year 2008-11, only one scheme was included for the year 2011-12 and no schemes were included for the year 2012-13.

The provision of ₹ 72.50 crore made during 2008-12 in budget for implementation of schemes benefitting women includes provision of ₹ 27.45 crore made for (a) booking establishment expenditure of Karnataka Sericulture Project II (KSP-II) and (b) for transfer of market fee and license fee to Price Stabilisation Fund. Since the grants relates to establishment and provision of adjustment, identification of above schemes for gender budget was incorrect and amount shown as spent towards gender budget was misleading.

¹⁰ Comprises of schemes with more than 30 per cent women beneficiaries

We also observed that the physical and financial targets and achievements indicating actual number of women beneficiaries due to be benefitted and actually benefitted under the schemes were not assessed and documented by the Department. Since involvement of women in different activities of sericulture is about 60 *per cent*, adequate prioritising and orienting public expenditure to reflect the concerns of women is not done.

The Commissioner stated (June 2013) that measures were taken to capture the achievement under the women component separately and details of benefits extended to women would be procured from all the districts and consolidated from the next year.

2.1.6.6 Diversion of fund

Article 7 of the Karnataka Financial Code stipulates that money shall not be kept outside the Government account without specific authorisation.

Two cheques amounting to ₹ 5.20 crore were received (September 2010 and December 2010) from CSB towards implementation of two CDP components *viz.*, Beneficiary Empowerment Programme and Bivoltine incentive to reelers. These cheques were deposited in a Savings Bank Account by the Commissioner. The Secretary (Commerce & Industries Department) directed (December 2010) to remit the amount to Government account for spending after due observance of procedure. However, the Commissioner remitted ₹ 4.43 crore (February 2011) after incurring an expenditure of ₹ 76.97 lakh. Out of this, ₹ 13.72 lakh was spent towards purchase of wireless equipments and furniture, which were not covered in the above two components of CDP.

The Commissioner replied (October 2013) that while implementing the Beneficiary Empowerment Programme, the Department thought of providing wider and effective communication system through wireless network especially to strengthen seed area. The reply was not acceptable as the Beneficiary Empowerment Programme was implemented to impart training to the farmers/reelers and meeting expenditure towards wireless networking was not in order.

2.1.6.7 Price Stabilisation Fund

The Price Stabilisation Fund (Fund) was established (November 1979) to control the cocoon and silk yarn prices from fluctuations and also for development of other sericulture activities like rearing, reeling, *etc.* The proceeds from license fee from traders and reelers, market fee for silk cocoon markets/exchanges, other fee/charges and all grants and contributions made by Government are to be credited to the Fund. The Director of Sericulture administers the Fund and rules provide for keeping the amount in treasury/saving bank account of any scheduled bank. The fund account should be got annually audited by such person as the State Government may direct and submit a report to Government. Accumulation in the fund was observed from 1980-81.

As per Audit Report on State Finances for the year ended 31 March 2012, an amount of ₹ 127.46 crore was outstanding in the fund. We further observed that:

- The Government barred the utilisation from fund account by Director of Sericulture through savings bank/Personal Deposit account from March 2008 and instructed to surrender cheque book, pass book and other documents after reconciliation. However, an amount of ₹ 11.52 lakh was still held in treasury account and ₹ 51.22 lakh in Savings Bank Account as of March 2013 in violation of Government instruction. Further, the cheque books and connected documents were also not surrendered.
- The expenditure towards the implementation of two new schemes¹¹, are to be met out of the fund. The expenditure is initially met out of the budgetary grants provided under plan head of account and finally charged to fund account through book adjustment at the year end. A deduction provision has to be made in the budget for carrying out the adjustment. We observed that during 2012-13, an expenditure of ₹ 7.40 crore was incurred towards implementation of these two schemes out of budget grant (plan) of ₹ nine crore, however the same has not been charged to the fund account as the Government did not make provision for carrying out the adjustment.
- The transactions of the fund account could not be ensured as the accounts remained unaudited from 1993-94 onwards.
- To the end of March 2012, the balance amount as per Appropriation Accounts was ₹ 127.46 crore against ₹ 152.92 crore as per departmental records and reconciliation was not carried out despite instruction by the Government.
- Though huge balance of ₹ 127.46 crore was available in the Fund, the Department had not formulated scheme/plan to utilise the same and as a result the balance remain idle.

The Commissioner replied (October 2013) that efforts are being made to get the accounts audited by the Chartered Accountants and that the cheque books/documents would be surrendered after getting the audit report. With regards to non-utilisation of money from the fund towards two schemes for 2012-13, the Commissioner stated that the matter had been brought to the notice of the Government.

2.1.6.8 Revenue estimates inflated

The revenue/receipts of the Department comprises of market fees, farm receipts, grainage receipts, license fees and other items. However, we noticed that the total receipt of ₹ 309.71 crore for the years 2008-13 included CSB releases of ₹ 175.76 crore and resulted in inflating of revenue receipts as grants released cannot be treated as receipts.

¹¹ Development of Silk rearing activity (from 2005-06) and Interest subsidy to reeling units (from 2010-11)

The Commissioner agreed (October 2013) to follow the correct procedure in future.

2.1.6.9 Arrears of rent

The Department had let out (July 2010) three buildings to Karnataka State Law University as per rental rates to be fixed by PWD for a period of three years and the University was allowed to occupy the buildings before the rental agreements were concluded. The Department approached (August 2012) PWD for fixation of rent which intimated (March 2013) rental rate based on rates of 2012-13. This was not accepted by university as it had occupied the buildings during 2010-11. The issue had been referred back to PWD to furnish the rentals at 2010-11 rates and their response was still awaited. The rental value for three buildings as per rates fixed by PWD works out to ₹ 13.99 lakh¹². The handing over of buildings before concluding agreements and delay in getting proper rent fixed by PWD resulted in monthly rent not been recovered for nearly three years.

The Commissioner replied (October 2013) that action had been taken to revise the rent and to recover the dues.

2.1.7 Non-formulation of Silk Policy

The National Fibre Policy of Ministry of Textiles, Government of India announced (June 2010) measures and incentives for promotion and development of silk industry in the country. The policy identified single window mechanism as an essential measure to provide effective linkages to create value addition for silk products as issues relating to silk industry from farm to fabric are handled by different departments. We noticed that the State Government is yet to formulate its own policy for promotion and development of silk industry and prepare an action plan, though it aimed to increase area under sericulture from 77,239 ha to 1.70 lakh ha by 2020. The Commissioner stated (June 2013) that action will be taken to formulate a policy and that a proposal had been forwarded (March 2013) to Government to merge Karnataka Silk Marketing Board Limited (KSMBL), Karnataka Silk Industries Corporation (KSIC) and all the five Silk filatures¹³ under one administrative head to minimise the expenditure, monitor the productivity and quality besides providing single window facility to the stake holders.

The Commissioner stated (October 2013) that action has been initiated to prepare Sericulture policy for the State.

¹² Total rent recoverable for 33 months

¹³ Located at Kollegal, Santhemarahally, Chamarajanagar, Mambally and Tholahunase

2.1.8 Physical targets and achievements

2.1.8.1 Shortfall in achievement of targets

The targets fixed for production of cocoons and raw silk for cross breed (CB) variety and bivoltine (BV) variety during 2008-13 and achievement thereon were as shown in **Table 2.3**:

Table 2.3: Production of cocoons and raw silk

Year	Target						Achievement (percentage)					
	Cocoon			Raw Silk			Cocoon			Raw Silk		
	BV	CB	Total	BV	CB	Total	BV	CB	Total	BV	CB	Total
2008-09	6,080	61,200	67,280	950	8,270	9,220	2,409 (40)	50,968 (83)	53,377	374 (39)	6,864 (83)	7,238
2009-10	7,620	65,120	72,740	1,200	8,800	10,000	2,126 (28)	52,156 (80)	54,282	335 (28)	7,025 (80)	7,360
2010-11	5,670	73,000	78,670	900	10,000	10,900	1,929 (34)	50,780 (70)	52,709	311 (35)	7,027 (70)	7,338
2011-12	3,765	58,410	62,175	600	7,994	8,594	2,249 (60)	53,708 (92)	55,957	364 (61)	7,432 (93)	7,796
2012-13	6,204	60,935	67,139	1,001	8,333	9,334	3,549 (57)	45,892 (75)	49,441	572 (57)	6,491 (78)	7,063

(Source: Details furnished by CSB and the department)

As may be seen from the above Table, while achievement under CB variety was above 70 per cent, the shortfall was noticed in BV variety. The BV silk is superior and used by power loom industry and stress is laid to increase its production and grant of subsidy/incentive for different components of CDP and RKVY are linked to raising BV silk production. Despite this, the target for BV was reduced in subsequent years as compared to 2009-10 and achievement ranged between 28 and 60 per cent. Thus, enhancing the production of BV variety had not received adequate priority.

The Commissioner attributed (October 2013) the short fall to drought condition, shortage of labours, reduction in quality and quantity of mulberry leaf, migration of labours from rural area to urban area, import of China silk and fluctuation in cocoon and silk rates. However, the reply failed to explain the reason for shortfall in achievement of BV production while achievement in CB variety was high.

2.1.8.2 Reduction in mulberry area

Mulberry is a fast growing perennial plant and thereby provides regular supply of mulberry leaves. The silkworms feed solely on mulberry leaves. The area under mulberry cultivation is widely used as the indicator for assessing the growth of sericulture. The details of overall target, new area to be added and achievements thereon for area under mulberry cultivation in the State during 2008-13 were as shown in **Table 2.4**:

Table 2.4: Cultivation of mulberry

Year	Area under mulberry	New area added			Area uprooted	Net area under mulberry
		Target	Achievement	Percentage		
Area under mulberry as at the end of 2007-08						91,434
2008-09	91,434	15,140	5,992	40	20,097	77,329
2009-10	77,329	31,000	7,755	25	2,986	82,098
2010-11	82,098	16,000	8,883	56	28,284	62,697
2011-12	62,697	40,000	9,819	25	1,558	70,958
2012-13	70,958	20,000	5,939	30	2,769	74,128
Total		1,22,140	38,388	31	55,694	

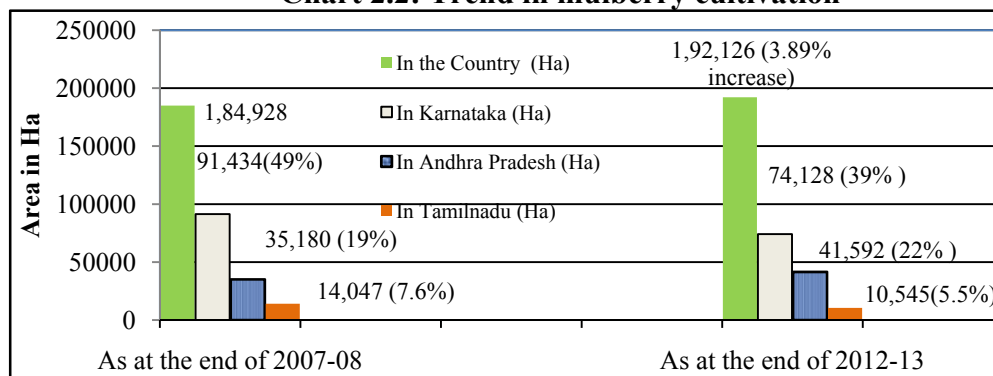
(Source: Details furnished by CSB and the Department)

As of March 2013, the net area under mulberry cultivation was 74,128 ha against 91,434 ha at the beginning of 2008-09 registering a reduction of 17,306 ha. Reduction in area was due to uprooting of 55,694 ha which was more than the area added during the period. Further, the new area added was only 38,388 ha as against the target of 1.22 lakh ha for the period 2008-13. District-wise analysis revealed that the area under mulberry was increased only in three (Bidar, Raichur and Ramanagara) out of 29 districts whereas in the remaining 26 districts, it decreased from 80,689 ha to 59,417 ha as detailed *vide* **Appendix 2.1**. As the area under mulberry cultivation was decreasing, the aim to achieve the target of 1.70 lakh ha by 2020 appears to be unachievable.

The Commissioner attributed (October 2013) the decline in mulberry area to lack of rainfall/erratic rainfall, urbanisation, reduction in customs duty, fluctuations in temperature/humidity, *etc.* The reply was not acceptable as the key to achieve the objective is not to lose the existing cultivators by taking appropriate promotional, counseling and remedial measures. Besides, no study was undertaken by the Department to ascertain the reasons behind large scale uprooting for taking appropriate measures.

2.1.8.3 Decline in the position of the State in overall mulberry area

In India, the states of Karnataka, Andhra Pradesh (AP) and Tamil Nadu are the major producers of mulberry silk with more than 80 *per cent* share. The share of these states during 2007-08 and 2012-13 were as shown in **Chart 2.2**:

Chart 2.2: Trend in mulberry cultivation

(Source: CSB figures)

We observed that the overall mulberry area in the country increased by 3.89 *per cent* over the period from 2008-09 to 2012-13 but Karnataka's contribution which stood at 49 *per cent* at the beginning of 2008-09 has come down to 39 *per cent* as at the end of 2012-13. However, the contribution of neighbouring AP increased from 19 *per cent* to 22 *per cent*. The increase in mulberry area in AP was attributed (July 2013) by CSB to scrupulous implementation of improved packages for mulberry cultivation.

The Commissioner stated (October 2013) that new mulberry plantations were being encouraged by motivating the farmers by the extension staff and by providing several incentives/subsidies. However, the fact remains that there had been a decline in mulberry cultivation when compared to AP requiring better implementation of promotional measures.

During the exit conference, Government was of the opinion that linking of employment generation schemes to Sericulture could lead to increase in cultivable area.

2.1.8.4 Promotion of sericulture in non-traditional areas

The Government constituted (July 2009) a Mission Group under 'Vision-2020' for providing inputs to enable the State to finalise and implement Vision 2020. The Group suggested for promotion of sericulture activities in non-traditional areas such as Bijapur and Bagalkot, as the climate and soil characteristics in these areas were found to be conducive for mulberry cultivation. Review of the progress during the past five years in Bijapur and Bagalkot districts however revealed no substantial improvement in sericulture activities as shown in **Table 2.5:**

Table 2.5: Sericulture activities in non-traditional areas

Year	Mulberry area (in ha)		New area (in ha)		Uprooted area (in ha)		Cocoon production (in MTs)		Raw silk production (in MTs)	
	Bijapur	Bagalkot	Bijapur	Bagalkot	Bijapur	Bagalkot	Bijapur	Bagalkot	Bijapur	Bagalkot
2008-09	216	452	37	65	86	143	62	156	8	21
2009-10	235	298	64	133	45	287	65	128	9	18
2010-11	268	370	76	107	43	35	55	124	7	17
2011-12	286	372	80	72	62	70	72	145	11	21
2012-13	204	344	40	54	122	82	33	127	5	19
Total			297	431	358	617				

(Source: Annual Administration Report of the Department)

As may be seen, the area uprooted was more than the new area added with net loss in area by 61 ha (Bijapur) and 186 ha (Bagalkot) and thus these non-traditional areas were registering negative growth in raw silk production. The overall plan expenditure for these two districts during 2008-09 to 2012-13 was ₹ 4.47 crore.

The Commissioner agreed (October 2013) to improve the situation in these areas. During the exit conference, however, Government agreed that there was

a need to re-think the strategy of bringing non-traditional areas into the sericulture fold, in view of poor response.

2.1.8.5 Trends in productivity level

The activities of the department begin with mulberry farm and ends with production of raw silk. The productivity is measured in terms of production of raw silk in kilogram per ha per year. The national average of raw silk production ranged between 87.73 and 105.75 kg per ha per year during 2008-13. The productivity in the State during 2008-13 is as shown in **Table 2.6**:

Table 2.6: Trends in productivity

Year	Area under mulberry (ha)	Cocoon production (MT)	Raw silk production (MT)	Productivity (Kg per ha per year)	
				Cocoon	Raw silk
2008-09	77,329	53,377	7,238	690.25	93.60
2009-10	82,098	54,282	7,360	661.19	89.65
2010-11	62,697	52,709	7,338	840.69	117.04
2011-12	70,958	55,957	7,796	788.59	109.87
2012-13	74,128	49,441	7,063	666.97	95.28

(Source: Information furnished by CSB and Department)

As may be seen, the productivity of raw silk ranged between 89.65 and 117.04 kg per ha per year. The least productivity was reported during 2009-10 despite the area under mulberry cultivation being the highest and productivity had decreased during 2011-13 when compared to productivity level of 2010-11.

The Commissioner attributed (October 2013) drought conditions for low productivity during 2009-10 and shortage of technical staff for lesser productivity for the years 2011-12 and 2012-13. The Commissioner, also, stated that Karnataka is pioneer in silk production and technologies adopted in the State were followed by other States.

The reply was not acceptable as there was above the normal rainfall during 2008-09 to 2010-11 and staff requirement was assessed surplus with reference to the target of one lakh ha for 2012.

Further, the highest productivity of 117.04 kg per ha per year achieved in the State was less than the lowest productivity (134.79 kg per ha per year) recorded in Andhra Pradesh and hence pioneer status of Karnataka is losing ground since productivity of raw silk in Karnataka was less than that of AP.

2.1.8.6 Delay in establishing Automatic Reeling Machines

Automatic Reeling Machines (ARMs) are capable of producing international quality raw silk out of the Indian silk cocoons and cater to the demand of the domestic power loom and export sector. To promote BV cocoon production in the country and demand for gradable raw silk yarn in the domestic as well as overseas markets, support for establishment of ARMs in selected clusters

was provided under CDP. The total project cost for each ARM was estimated to cost ₹ 2.50 crore. The cost of equipment was ₹ one crore which was shared by CSB, State Government and beneficiary in the ratio of 50:25:25.

It was envisaged to establish seven ARMs by March 2013 but only two ARMs were established during 2009-10. An amount of ₹ 3.75 crore being the share from CSB/State Government had been released (September 2012) towards cost of equipment and kept in ESCROW account as per scheme guidelines.

The Commissioner replied (August 2013) that establishment of remaining units were underway and attributed delay in establishment of ARMs to delay in disbursement of loans by banks and process involved in import of machineries from China. Reply was not acceptable as import of the machineries should have been synchronised with release of funds to avoid such delays.

2.1.8.7 Productivity level and subsidy cost

The Department is extending benefits and concessions to the silk rearers and silk reelers under various Central and State schemes to increase the silk production. The year-wise expenditure incurred under the schemes and total silk produced in the State during 2008-13 were as shown in **Table 2.7**:

Table 2.7: Details of year-wise expenditure and silk production

Year	Expenditure on subsidy schemes (₹ in crore)	Raw silk production (in metric tonne)	Subsidy per metric tonne (in ₹)
2008-09	36.41	7,238	50,304
2009-10	27.94	7,360	37,962
2010-11	63.81	7,338	86,958
2011-12	84.97	7,796	108,992
2012-13	106.28	7,063	150,474

(Source: Grant Register maintained by PAG (A&E) and details furnished by CSB)

As may be seen from above Table, while the annual silk production was stagnant at an average of 7,359 MT, the expenditure towards subsidy had risen disproportionately *i.e.*, almost three times. The higher spending by Government had not really translated into increased production.

The Commissioner stated (October 2013) that sericulture which is an agro based labour intensive cottage industry, depends on active participation of farmers, other stake holders and also affected by seasonal conditions. The Commissioner, also, stated that production and productivity linked cocoon incentive under new initiative programme are being given to farmer to encourage sericulture. The reply was not specific to the audit point of the increasing cost of incentives/subsidies *vis-a-vis* raw silk produced.

2.1.9 Programme implementation

The Department has been implementing 16 schemes, both Central and State sector schemes during 2008-13 for development of sericulture industry. The two major Central schemes, CDP and Rashtriya Krishi Vikasa Yojane

(RKVY), and four state sector schemes were reviewed and observations are discussed in succeeding paragraphs.

2.1.9.1 *Catalytic Development Programme*

The CDP launched in IX Plan period is continued by Government of India through CSB and assistance is being provided for the various components under the scheme. During 2008-13, ₹ 207.74 crore was spent on various components of this scheme. According to guidelines, the beneficiary should be from a cluster area and raise BV crops/rear BV silkworm eggs to get subsidy/incentive under the four components of the scheme *i.e.*, (i) raising mulberry plantation in new area, (ii) assistance for drip irrigation for mulberry plantation, (iii) assistance for rearing house, and (iv) assistance for purchase of equipments.

We noticed that the subsidies/incentives were paid to beneficiaries in contravention of scheme guidelines as detailed below:

- Incentives/subsidies amounting to ₹ 141.61 crore for four components under CDP were extended during 2008-13. Out of this, incentive/subsidy amounting to ₹ 70.64 crore were extended to farmers in districts¹⁴ where no clusters were formed.
- According to notification issued by Government (February 1979), three areas¹⁵ notified under Mysore seed areas should rear only pure Mysore race silkworm and *Hosa* Mysore race silkworm. However, subsidy amounting to ₹ 27.94 lakh under CDP was extended to beneficiaries of these areas who raised mulberry plantation in new area and those who purchased equipments, which was irregular.
- In eight¹⁶ checked offices, instances of inadmissible subsidies aggregating to ₹ 12.75 crore for other components under CDP were made to sericulturists, the details of which were shown in **Appendix 2.2**.

The Commissioner stated (October 2013) that all the programmes are being implemented in the interest of sericulture sector. Regarding extending the benefits to sericulturists under Mysore seed area, Commissioner stated that the benefit was extended (February 2010) by CSB. The reply was not acceptable as subsidies/incentives have been granted in contravention of the prescribed guidelines which led to non-achievement of the objective of the scheme. Further, as per CSB letter the benefit to sericulturist under Mysore seed area was extendable for drip irrigation and rearing house only.

2.1.9.2 *Rashtriya Krishi Vikas Yojana*

The RKVY¹⁷, a centrally sponsored scheme, was introduced from 2011-12. As against ₹ 19.50 crore approved by the State Level Sanctioning Committee,

¹⁴ Bangalore (Urban), Chamarajanagar, Chikballapur, Chikkamagalur, Dakshina Kannada, Dharwad, Kodagu, Mysore, Ramanagara, Udupi and Uttara Kannada

¹⁵ Hebbur hobli of Tumkur taluk, Kunigal taluk and Magadi taluk

¹⁶ Bangalore Rural, Bagalkot, Chikballapur, Dharwad, Gadag, Haveri, Ramanagara & Tumkur

¹⁷ Sericulture component – incorporated under RKVY

₹ 19.08 crore was released to the department during 2011-13 for implementation of various components like “trenching/ mulching¹⁸”, supply of bio-fertilizers, mechanisation, etc., under the scheme. Out of this, ₹ 10.64 crore had been spent as of March 2013 leaving an unspent balance of ₹ 8.44 crore. Reasons for savings were attributed by the department to release of funds at the fag end of the year.

Subsidy of ₹ 15,000 per acre were admissible under the trenching mulching component for only BV farmers. In three¹⁹ out of eight test-checked offices, an amount of ₹ 33.06 lakh was paid to 171 sericulturists towards trenching and mulching though they were not BV farmers.

The Commissioner replied (October 2013) that the farmers who reared 2-3 BV crops in favourable season in a year were called BV rearers. Commissioner also stated that all the sericulturists are eligible for trenching mulching. The reply was not acceptable as all the 171 farmers pointed out in audit were not BV farmers.

2.1.9.3 Reshme Varadan Yojane

The Reshme Varadan Yojane, a State Plan scheme, being implemented from 2006-07, provides assistance for drip irrigation and rearing house (RH) for the second hectare for beneficiaries who had availed similar benefits under CDP in tenth plan period (2002-2007) for first hectare only.

- The scheme was not consistent with CDP objectives as promotion of BV was not provided in this Scheme.
- In four offices²⁰, the benefits for second drip irrigation aggregating to ₹ 8.52 lakh was granted to 30 beneficiaries and in five offices²¹, the benefits for second RH aggregating to ₹ 17.75 lakh was granted to 30 beneficiaries who had received incentives on first occasion under CDP during the period other than 10th plan.
- No mechanism was put in place to ascertain the existence of first drip irrigation and first RH constructed under CDP before release of benefits under this scheme.
- In five²² test-checked offices, subsidy of ₹ 19.22 lakh for second RH was extended to 32 beneficiaries though the beneficiaries did not adhere to the condition of raising of minimum number of BV crops as stipulated under CDP while giving subsidy for first RH.

The Commissioner stated (October 2013) that scheme guidelines were observed and did not furnish specific reply to the audit observation.

¹⁸ Excavation of trench and filling with organic waste

¹⁹ Bangalore Rural, Gadag and Ramanagara

²⁰ Bagalkot, Bangalore Rural, Gadag and Tumkur

²¹ Bangalore Rural, Gadag, Haveri, Ramanagara and Tumkur

²² Bangalore Rural, Gadag, Haveri, Ramanagara and Tumkur

2.1.9.4 *Suvarna Bhoomi Scheme*

The State Government launched Suvarna Bhoomi Scheme during 2011-12 for cultivation of mulberry plantation in dry land areas. Under the scheme, small and marginal farmers were eligible for grant of ₹ 10,000 as incentive and payable in two equal instalments. First instalment was to be released before June to meet the cost of preliminary activities such as purchase of seed/seedlings, equipments, etc., and balance was to be released after ensuring that mulberry plantation had been raised by the beneficiary. The guidelines prescribe that farmers, who had received first instalment and failed to take up mulberry plantation, were ineligible for receiving any benefits under any other schemes (except calamity relief) for the next three years.

An amount of ₹ 10.27²³ crore was paid to 31,322 farmers as first instalment whereas second instalment of ₹ 1.37 crore was availed by 4,900 farmers only. Thus, 26,422 farmers did not take up mulberry plantation in 35,640 acres after receiving ₹ 8.90 crore as first instalment. Thus, the expenditure of ₹ 8.90 crore paid to 26,422 beneficiaries was infructuous.

The Commissioner stated (October 2013) that not all the farmers who have received first instalment have taken up mulberry cultivation due to drought condition, depletion of water, and labour problem. Commissioner also stated that farmers who failed to take up mulberry plantation after receipt of first instalment were made ineligible to receive any benefit under any other schemes for next three years.

2.1.10 **Non-closure of loss making Departmental units**

2.1.10.1 *Continuation of loss making grainages and filatures*

The 45 grainages and five filatures located in the State are managed departmentally and were incurring losses for many years. The Revenue Reforms Commission (RRC) had recommended (February 2004) closure of loss making units. Although all these units were under loss with combined loss of ₹ 85.71 crore during 2008-13 as shown in **Table 2.8**, the Department did not act on the recommendation of RRC.

Table 2.8: Loss incurred by grainages and filatures

(₹ in crore)

Year	Loss incurred	
	Grainages (45)	Filatures (5)
2008-09	7.53	6.45
2009-10	8.87	6.61
2010-11	10.10	7.36
2011-12	10.68	7.19
2012-13	12.53	8.39
Total	49.71	36.00

(Source: Details furnished by the Department)

²³ First instalment proportionately reduced for farmers having less than two acres of land

Further, we noticed that no production had taken place in two²⁴ out of 45 grainages in the past three years though ₹ 24.84 lakh was incurred towards administrative expenses. The Silk Twisting and Weaving Factory at Mudigundam, also a loss making unit, incurred loss of ₹ 3.30 crore during 2008-13 was also not wound up despite recommendation of RRC for its closure and redeployment of staff.

The Commissioner stated (October 2013) that Government would take up the matter of redeployment of staff during reorganisation of the Department and unviable grainage buildings/land would be handed over to needy Government departments.

2.1.10.2 Continuation of unviable silk farms

The 88 Government sericulture farms spread over 2,333.34 acres were established for production of pure Mysore basic seed and also for production of BV and CB seed cocoons. Of these, nine sericulture farms in Mysore seed area are producing the basic female parent required for production of commercial eggs and the remaining 79 farms are involved in the production of CB and BV seed cocoons.

The sericulture farms are classified into four categories for the production of seed at different levels viz., P4–Breeder stock, P3–Parental stock, P2–Basic seeds and P1–Commercial parent. The RRC had recommended (February 2004) the Department to lease out the sericulture farms to private companies which intend to set up large integrated silk factories and also recommended that production of P1 grade seed- commercial parent should be privatised. The production, income and expenditure of the Government sericulture farms during 2008-13 were as shown in **Appendix 2.3**.

We observed that the revenue generated from silk farms ranged between 2.95 and 3.66 per cent of the expenditure incurred during 2008-13. We also noticed that sericultural activities viz., raising mulberry plantation, harvesting of leaves and harvesting of cocoons were not carried out in 33 farms having an area of 888.33 acres in seven districts during the above period. Further, production of commercial seeds (P1) was being continued in 63 farms. The total loss incurred in managing farms during 2008-13 was ₹ 35.64 crore.

The Commissioner attributed (October 2013) decline in farm activities to scarcity of water, shortage of labour and electricity, etc. Further, it was stated that as per recommendations made by RRC some unviable farms were closed and handed over to other needy departments. However, most of the unviable farms were continued to be functional contributing further loss.

2.1.10.3 Declining transactions in Silk Exchanges

The Silk Exchanges were established by Government to facilitate transaction of raw silk produced by reelers. The main silk exchange is situated at

²⁴ Hanur, Belakavadi

Bangalore with nine sub-exchanges²⁵ at different places of silk weaving centers. A market fee of 0.5 *per cent* of the transacted value is levied and collected from buyers.

Though, Karnataka is the largest producer of raw silk in the country, the raw silk transacted in these silk exchanges was barely between 14 and 18 *per cent* of raw silk production in the State as detailed in **Table 2.9:**

Table 2.9: Transaction of raw silk

(in metric tonnes)

Year	Raw silk produced in the State	Raw silk sold in Silk exchanges	Percentage
2008-09	7,238	1,310	18
2009-10	7,360	1,084	15
2010-11	7,338	1,037	14
2011-12	7,796	1,310	17
2012-13	8,219	1,238	15
Total	37,951	5,979	16

(Source: Details furnished by the Department)

We observed that the bulk of the transactions take place in Bangalore Silk Exchange with 49 *per cent* share during 2008-09 which reduced to 25 *per cent* during 2012-13 and the market fee collected was ₹ 1.75 crore against establishment expenditure of ₹ 11.91 crore incurred towards 56 officers/officials working in various cadres. The large working strength was injudicious in view of introduction of free movement of raw silk by Government of India in November 2008. In four²⁶ exchanges, the transactions was ranged between one *per cent* and three *per cent* and market fee collected was only ₹ 40.57 lakh against the establishment expenditure of ₹ 1.75 crore.

The Commissioner stated (October 2013) that a Hi-Tech Silk Exchange with the co-ordination of CSB is proposed to be established in Bangalore for which staff is required. Commissioner also stated that proposal has been sent to Government regarding reduction of staff strength.

2.1.10.4 Karnataka Silk Marketing Board Ltd

The Karnataka Silk Marketing Board Ltd (KSMBL) was established (1979) to act as a catalyst for stabilisation of silk yarn prices to ensure that reelers get satisfactory returns for their produce by purchasing raw silk during slump in the market and sells twisted yarn to weavers by outsourcing the twisting activity. The KSMBL purchases raw silk transacted at silk exchanges only. The KSMBL was a loss making unit and its feasibility of continuation was entrusted (March 2006) to a consultant by Department of Public Enterprises as part of restructuring of Public Sector Enterprises reforms. The consultants in their report (February 2008) stated that closure being a crucial decision for the State Government, it must be taken after careful view of the sector and the sector policy and objectives of the State. If the policy and objectives do not need the support of KSMBL then closure should be seriously considered.

²⁵ Kollegal, Ramanagara, Sidlaghatta, Chikkaballapur, Kolar, Kanakapur, Chamarajanagar, Guledgudda and Gadag

²⁶ Chamarajanagar, Chikkaballapur, Guledgudda and Kollegal

We observed the following:

- Consequent on removal of restrictions by Government of India in November 2008, the share of KSMBL was 887 MT *i.e.* only 2.34 *per cent* of overall raw silk produced during 2008-13. With a miniscule share in market operations the objective of achieving price stabilisation obviously could not be achieved.
- The accumulated losses of ₹ 18.20 crore of KSMBL at the beginning of the financial year 2008-09 increased to ₹ 33.63 crore at the end of 31 March 2013.
- The Government had provided loans to KSMBL aggregating to ₹ 12 crore during 2010-11 and permitted (March 2011) KSMBL to borrow loan up to a maximum of ₹ 25 crore from Canara Bank to meet working capital for market stabilisation operations exclusively. The liability towards interest and guarantee commission of one *per cent* of loan amount per year payable by KSMBL was borne by Government and total liability borne by Government was ₹ 2.44 crore²⁷ during period from January 2012 to May 2013.

Since an amount of ₹ 127.46 crore was available under Price Stabilisation Fund, the Government's decision to borrow from financial institutions for price stabilisation operations instead of utilising the fund available was not justified.

The Commissioner stated (October 2013) that the interest relates to over draft facility which had been reimbursed by the Government. Specific reply on non-utilisation of the amount available in the fund was not furnished.

2.1.11 Manpower management

2.1.11.1 Surplus staff

Against the overall sanctioned strength of 4,475 posts in the Department as of March 2013, the working strength was 3,582 as detailed in **Appendix 2.4**. Based on the target of 1.70 lakh ha to be achieved by 2020, the Commissioner submitted a report to the Government in September 2009 proposing to restructure the Department by suitably transferring the posts in respect of surplus staff of 703 to other departments with corresponding annual expenditure of ₹ 14.42 crore. The staff requirement proposed by Department was discussed (December 2009) in a meeting held under the Chairmanship of Additional Chief Secretary, Finance Department. The Department had assessed the staff requirement with reference to mulberry hecterage targeted for year 2020 and decided in a meeting (December 2009) that staff requirement should be restricted to immediate requirement (for the revised target of one lakh hecterage as of 2012) and additional recruitments could be made in pace with the increase in mulberry area as and when it happens. It was also decided in the meeting to find out ways to redeploy more than 1,000 employees rendered surplus due to revised target. However, no action was

²⁷ Interest ₹ 1.69 crore and guarantee commission ₹ 75 lakh

taken by Department to redeploy the surplus staff to other departments (July 2013). The additional burden due to non-redeployment of 703 surplus staff works out to ₹ 43.26 crore²⁸.

The Commissioner stated (October 2013) that proposal was submitted to Government to close 262 institutions and 19 posts have been identified as excess.

2.1.11.2 Irregular retention of Sericulture Inspectors

The Finance Department (FD) approved (June 2010) the upgradation of 322 posts in the cadre of Demonstrators to the Inspectors cadre and also permitted the Sericulture Department to utilise the 144 vacancies which existed in the cadre of Inspectors for giving promotion with the condition that 466 beneficiaries should submit undertaking to serve in other departments on deputation. The upgradation was valid for one year within which the process of deputation should be completed. Accordingly, the orders (August 2010) were issued benefitting 466 personnel.

We observed that process of deputation was not completed fully within one year as stipulated and only 100 personnel were deputed to other departments. The retention of promoted personnel was injudicious and a financial burden as the posts of Inspectors were found to be surplus, thereby warranting deputations to other departments. Further, as the upgradation was valid for one year, the 344 posts in the cadre of Inspectors ceases to exist and hence their retention was irregular. The additional financial burden for the retained 344²⁹ Inspectors works out to ₹ 1.10 crore³⁰.

The Commissioner replied (October 2013) that process of deployment is under progress and action for deployment will be taken whenever demands come from other departments. The reply was not acceptable as the Government had ordered to complete the upgradation/deputation within one year.

2.1.12 Internal Controls

2.1.12.1 Internal Audit Wing

The Internal Audit Wing (IAW) is functioning since 1984. The annual target for conduct of internal audit ranged between 132 and 248 out of 397 offices. During 2010-11 and 2011-12, the shortfall in coverage was 37 and 137 offices representing 28 *per cent* and 55 *per cent* respectively. As of March 2013, 12,283 paragraphs with money value of ₹ 96.38 crore were outstanding for settlement, of which, ₹ 69.51 crore were pending for more than five years. The recoverable amount pointed out in internal audit reports aggregated to ₹ 7.83 crore.

²⁸ As the cadre-wise details of surplus staff of more than 1,000 was not made during December 2009, the comment has been restricted to surplus staff of 703 for three years

²⁹ 22 retired/expired

³⁰ Worked out as difference between the minimum pay scales of Demonstrators and Inspectors for the period from September 2011 to March 2013

The Commissioner attributed (October 2013) the shortfall in coverage of Internal Audit to inadequate staff strength and also stated that action would be taken to settle the pending paragraphs and to clear the money value by way of recovery/ratification. Commissioner also stated that sufficient staff would be provided to audit wing. Reply is not acceptable as the Finance Department had assessed excess staff in the Department and hence the Department could have redeployed the excess staff to clear the backlog.

2.1.12.2 Response to Audit

The Principal Accountant General (E&RSA), Karnataka conducts test check of records of head of administrative department and subordinate offices under their control and observations were communicated through Inspection Reports (IR). First replies to IR were to be furnished within four weeks and a six monthly report on pending paragraphs of IRs was also sent to the Department to facilitate monitoring of the action taken on the observations.

There were 52 IRs and 206 paragraphs with money value of ₹ 66.06 crore were outstanding as on 31 December 2012. Year-wise break up of outstanding IRs were as shown in **Table 2.10**:

Table 2.10: Year-wise break up of outstanding IRs

SI No.	Year of Accounts	No. of IRs	No. of paragraphs	Money value (₹ in lakh)
1	Up to 2007-08	07	12	11.22
2	2008-09	03	10	0.03
3	2009-10	11	29	2.24
4	2010-11	04	23	1,659.14
5	2011-12	27	132	4,933.44
TOTAL		52	206	6,606.07

As seen from the above table, there is an increase in trend in pending money value observations.

2.1.12.3 Departmental manual not revised

The departmental manual being an important internal document that guides officers/officials in discharging their functions is required to be updated/revised. The manual in respect of the Sericulture Department was prepared in 1954. However, significant and major changes that have taken place were not incorporated by revising the manual.

The Commissioner replied (October 2013) that the committee was reconstituted during June 2013 and action will be taken to revise the departmental manual at the earliest.

2.1.13 Other issues

2.1.13.1 Delay in allotment of reeling units

The “Construction of Living Room cum Reeling Complex (eight units) and allied works” at Shirhatti was administratively approved in February 2010 and

technically sanctioned in December 2010 for ₹ 1.54 crore. The work taken up during 2010-11 were completed (January 2012) excluding living rooms. The construction of living room was withdrawn from the scope of tenders as per instruction (March 2011) of Commissioner since living rooms near reeling complex would affect the health of reelers. The balance work of construction of living rooms was entrusted, after lapse of two years, to eight piece work contractors with total tendered price of ₹ 21 lakh during March 2013 with a stipulation to complete by May 2013 and the work was not completed as at the end of September 2013. As allotment of reeling unit can be made only after completion of living room, the reeling complex and allied works though completed more than a year ago by incurring an expenditure of ₹ 1.36 crore were not put to use due to non completion of living rooms.

The Commissioner stated (October 2013) that the work will be completed and action will be taken to handover the buildings to the concerned.

2.1.13.2 *Avoidable expenditure on wireless communication*

The Commissioner approved in July 2010 installation of “Wireless network” at a cost of ₹ 28.11 lakh and the work was entrusted (August 2010) to M/s Mourya Infotek (P) Limited, Bangalore for supply/installation of the wireless equipments without obtaining approval from Government. The expenditure of ₹ 13.34 lakh was charged to CDP and ₹ 14.77 lakh charged to capital head of account resulting in diversion of funds. Also, the control room for wireless network was not functioning since July 2012. In addition, as the staff in the department were not working in remote areas, installation of wireless network was not justifiable.

The Commissioner stated (October 2013) that action will be taken to obtain ratification from the Government. However, the fact remains that the staff do not work in remote areas requiring wireless communication.

2.1.13.3 *Training*

The Department is having six training institutes located at Channapatna, Rayapura, Tholahunase, Hassan, KR Pet and Kuderu to impart training to sericulturists. The number of persons trained under regular trainings in the six institutes reduced from 3,427 in 2008-09 to 353 persons during 2012-13 as detailed in **Table 2.11**:

Table 2.11: Year-wise details of training conducted

Year	Sericulturists	Reelers	In service	Others- Handicrafts, RSPs, etc	Total
2008-09	2,345	139	494	449	3,427
2009-10	2,040	41	563	245	2,889
2010-11	2,091	60	299	263	2,713
2011-12	1,849	62	308	279	2,498
2012-13	0	0	347	6	353

(Source: Details furnished by Department)

Further, we noticed that training was imparted to 18,311 farmers and reelers under Beneficiary Empowerment Programme of CDP at a cost of ₹ 5,000 per beneficiary and total expenditure incurred was ₹ 7.18 crore during 2010-13. Against the target of imparting training to 20,674 farmers, 17,543 farmers were trained with a shortfall of 15 *per cent*. Further, against the target of training 4,000 reelers, only 768 reelers were trained with a shortfall of 81 *per cent*.

The Commissioner attributed (October 2013) the shortfall in achievement due to late release of funds and inadequate infrastructure facilities for imparting training to the reelers and stated that it has been planned to provide training at district level with the assistance of other departments wherever infrastructure facilities are available. The reply was not acceptable as targets were to be fixed with reference to availability of infrastructure facilities.

2.1.13.4 Health insurance

A Health Insurance Scheme was introduced³¹ under CDP to enable the women workers in private reeling units and Grainages to access the health care facilities in the country with annual coverage of ₹ 15,000 for OPD and hospital treatment. The annual premium of ₹ 781.60 were to be shared³² between CSB, State Government and beneficiary. The scheme covers not only the women but her husband and two children. In 14³³ districts, 46,671 beneficiaries were covered under this scheme during 2009-13. This may be extended to other districts also.

2.1.13.5 Crop insurance

Crop Insurance component to protect sericulturists from loss of disease free layings³⁴ (DFLs) was introduced during XI plan period under CDP. For a sum assurance of ₹ 4,700 per 100 DFLs for CB and ₹ 5,787 per 100 DFLs for BV the premium payable was ₹ 329 and ₹ 463 for CB and BV respectively. The 50 *per cent* of the premium amount was to be borne by Government of India and 25 *per cent* by State Government and the rest by the beneficiary. However, this component was not implemented in Karnataka.

There were 145 Private Registered Seed Producers (RSPs) in the State for production and distribution of DFLs to the sericulturists as of March 2013. Out of overall quantity of 39.63 crore DFLs produced during 2008-13, 25.18 crore DFLs constituting 64 *per cent* were produced by these RSPs. However, during 2008-13, it was observed that:

- the RSPs solely concentrated on production of CB DFLs though objective of several schemes were to increase BV silk production. Only 60,000 BV DFLs were produced as against the CB DFL production of 1,225.20 lakh

³¹ XI plan period

³² CSB- ₹ 642.47, State Government- ₹ 83.47 and beneficiary- ₹ 55.66

³³ Ramanagara, Mandya, Bangalore Rural, Bangalore Urban, Chamarajanagar, Mysore, Kolar, Chikkaballapur, Bagalkot, Belgaum, Tumkur, Davangere, Dharwad and Hassan

³⁴ Silkworm egg from which silkworms are hatched

during 2008-09 and 2009-10 and no BV DFLs were produced thereafter (2010-13) and;

- production of overall DFLs by the RSPs declined by 46 *per cent i.e.* from 6.46 crore DFLs during 2008-09 to 3.50 crore DFLs during 2012-13.

The trend in production of BV DFLs by RSPs is an indicative of risk aversion. A crop insurance scheme mitigates these kind of risks, which is absent in Karnataka. The BV production in Tamil Nadu, where crop insurance component is being made available by the Government, is more than that of Karnataka.

The Commissioner stated (October 2013) that crop insurance was implemented as early as 1982 but as these claims were more than the total sum assured, the insurance companies have withdrawn from this scheme. The reintroduction of the insurance scheme as being implemented in Tamil Nadu could be considered.

2.1.14 Beneficiary survey

Beneficiary survey was conducted as part of Performance Audit to assess the impact of scheme interventions, extension services provided by the Department was timely and adequate, timely release of various subsidies/incentives *etc.*, by making field visits aided with structured questionnaires to farmers. Survey of 104 farmers, selected randomly, in five districts³⁵ was conducted and results thereof are as below:

- All the farmers surveyed expressed their happiness and intended to continue sericulture;
- Ninety Seven *per cent* of the farmers surveyed stated that technical support/guidance received was timely;
- Eighty Seven *per cent* of the farmers surveyed wanted an increase in subsidies ;
- Eighty Six *per cent* of the farmers surveyed wanted minimum support price to protect them against price fluctuations;
- All the farmers surveyed expressed improvement in the economic status.

2.1.15 Conclusion

The objectives of the Department for expansion of mulberry area and increase the production and productivity and reduce the production cost remained largely unachieved as reflected in the reduction of area under mulberry cultivation. The Department had not formulated a sericulture policy. The budgetary control was deficient as the Department could not absorb the available funds provided by the Government of India and the State Government, non-plan expenditure exceeded the plan expenditure, balance available under Price Stabilisation Fund remained unutilised and the funds accounts remained unaudited since 1993-94. The raw silk production had

³⁵ Bagalkot, Dharwad, Gadag, Haveri and Tumkur

stagnated while expenditure on subsidies had increased manifold. Subsidies under different schemes were disbursed in violation of guidelines. No action was taken for winding up of the loss making departmental units and also for redeployment of excess staff as assessed by the Department which resulted in avoidable expenditure on salaries to staff engaged in these units. Internal control was ineffective as there were shortfall in Internal Audit coverage during 2010-11 and 2012-13 and Departmental manuals were not revised since 1954.

2.1.16 Recommendations

The following recommendations are made for streamlining the functioning of the Department:

- Ensure optimal utilisation of funds to avoid persistent savings;
- Formulate a state sericulture policy to augment silk production;
- Fix realistic target to increase the mulberry area, cocoon/raw silk production;
- Scheme guidelines be scrupulously adhered to while granting various incentives/subsidies;
- Reassess staff requirement and consider closure of loss making units to control non-plan expenditure;

The matter was referred to Government in August 2013; their reply is awaited (December 2013).