



## **CHAPTER IV**

➤ **Excess payment/Wasteful/Infructuous expenditure**

➤ **Violation of contractual obligation, undue favour to contractors and avoidable expenditure**

➤ **Regularity issues and other topics**

➤ **General**

## CHAPTER IV

### 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.

#### 4.1 Excess payment/Wasteful/Infructuous expenditure

##### HIGHER EDUCATION DEPARTMENT

#### 4.1.1 Excess payment of House Rent Allowance

**Failure of the authorities of Kannada University, Hampi and Karnatak University, Dharwad to regulate House Rent Allowance as per extant Government Orders resulted in excess payment of Rs. 45.76 lakh.**

The Government revised (August 1999) the rates of House Rent Allowance (HRA) payable to its employees with respect to their place of duty and classified the cities and other places into six groups. Accordingly, the places with population less than 25,000 were classified as 'E' category and the employees in these places were entitled to HRA at three *per cent* of the basic pay. These rates were further revised to four *per cent* with effect from 1 April 2002.

Scrutiny (May 2007/March 2008) of the pay bills of the employees of Kannada University, Kamalapur, Hampi and the Post Graduation (PG) Centre of Karnatak University at Bhootaramanahatti in Belgaum district revealed that although these universities were situated at places classified as 'E' category, the employees were paid HRA at 7.5 *per cent* of their basic pay with effect from 1 August 1999 as against the admissible three *per cent* and four *per cent* from 1 August 1999 and 1 April 2002 respectively. Lack of basic civic amenities at these places forcing the employees to operate from Hospet and Belgaum (to Kamalapur and Bhootaramanahatti) was stated as the reason for granting higher rate of HRA. Proposals sent (April 1993 and December 2004) to Government to ratify the action taken by these universities were, however, not approved (July 2008). The action taken by the universities without prior approval of the Government was therefore, not in order.

The excess payments from 1 April 2003 to 31 March 2008 in Kannada University at Kamalapur and from 1 April 2002 to 31 July 2007 in PG Centre at Bhootaramanahatti worked out to Rs. 45.76 lakh (**Appendix 4.1**). The University (PG Centre) stopped payment of HRA at higher rates and adopted the applicable lower rates from August 2007 at the instance of audit. Expedient action was required to recover the excess payments in a time bound manner having regard to the remaining length of service of each of the employees.

The matter was referred to Government in July 2008; reply had not been received (October 2008).

## **WATER RESOURCES DEPARTMENT - MINOR IRRIGATION**

### **4.1.2 Inadmissible payment of de-watering charges**

**Rupees 52.40 lakh was paid to a contractor for construction of a bridge-cum-barrage for de-watering disregarding the contractual stipulations.**

Construction of bridge-cum-barrage across the River Kagina near Shankarwadi village in Chittapur taluk of Gulbarga district to provide irrigation facilities to 1,383 hectares of land was awarded (January 2006) to a contractor at a cost of Rs. 7.52 crore for completion by January 2007. Technical Appraisal Committee (TAC) advised (November 2006) to execute additional items of work such as approach clearance to river bed, construction of apron, guide walls, boulder filling behind abutment and de-watering through the same contractor. A supplementary agreement for Rs. 4.33 crore was executed for the additional items of work after obtaining approval (June 2007) of the Government. The work was completed by the contractor and was paid Rs. 11.84 crore (October 2007).

Audit scrutiny (April 2008) revealed that a provision of Rs. 8.82 lakh was made in the supplementary agreement towards de-watering and Rs. 52.39 lakh had been paid to the contractor as per seventeenth Running Account Bill paid in October 2007. Inclusion of de-watering item in the supplementary agreement was unwarranted as the original agreement stipulated that the cost of de-watering shall be considered as included in the quoted rates and shall not be paid extra. Further, the Executive Engineer (EE) had also rejected (February 2007) the contractor's claim for payment of de-watering charges separately on the ground that coffer dam/ring bund items are being separately paid and question of de-watering does not arise. Any water accumulating by way of seepage had to be bailed out as specified in the tender item rate of excavation which included cost of bailing out water. Further, from chainage 0.00 m to 150 m, no pumps had been engaged for de-watering. Hence the payment of Rs. 52.39 lakh to the contractor towards de-watering, disregarding the contractual conditions, was inadmissible.

The Divisional Officer replied that de-watering charges were paid as per the advice of TAC. The reply was not tenable as TAC had only advised and clearly stated to take action as per contractual stipulations while executing the additional items of work. The EE was aware of the reasons for accumulation of water and the omission by the contractor. So the de-watering charges were not due to be paid.

The matter was referred to the Government in June 2008; reply had not been received (October 2008).

**4.1.3 Payment at higher rate**

**Misclassification of excavated ordinary rock as hard rock resulted in extra payment of Rs. 89.47 lakh in the construction of a bridge-cum-barrage.**

According to the clause 7(a) of the PWG 65, payment to contractor has to be regulated at agreed rate for the tendered quantity. Further, as per clause 13(c) of the contract, for the altered items the rate shall be derived from the Schedule of Rates (SR). Construction of bridge-cum-barrage on Kagina river near Meenhabal village in Gulbarga district was approved (December 2003) by the Government and technically sanctioned by the Chief Engineer for Rs. 5.50 crore. The work was awarded (March 2004) to a contractor for Rs. 6.14 crore (12 per cent above SR 2003-04) for completion by April 2005.

Audit scrutiny (March 2008) of records of Minor Irrigation Division, Gulbarga revealed extra payment due to mis-classification of rock. SR contain different rates for excavation in rocky strata based on their toughness viz., hard rock requiring blasting, medium rock, ordinary rock and depth of excavation. As per explanatory notes contained in SR, limestone is classified under ordinary rock. The Executive Engineer (EE), Minor Irrigation Division, Gulbarga paid (June 2007) an amount of Rs. 1.40 crore for excavation of 36,570 cum at the rates applicable to hard rock requiring blasting. It was noticed from the geologist report (May 2004) that the dominant geological unit in the area was limestone. Quality Control Test Report (June 2007) also revealed that the excavated material was limestone and the contractor in his letter dated 10 July 2007 also had admitted that excavated rock was lime stone. The rates admissible for excavation of lime stone (ordinary rock) ranged from Rs. 110 per cum to Rs. 160 per cum for depths of 1.5 metres to 3 metres against which EE paid the contractor at the rate of Rs. 381 per cum. The extra payment made for excavation of 36,570 cum of lime stone worked out to Rs. 89.47 lakh. Thus, misclassification of limestone as hard rock and payment at higher rate resulted in extra payment to the contractor.

The matter was referred to the Government in June 2008; reply had not been received (October 2008).

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

**4.1.4 Unfruitful expenditure**

**The objective of providing communication facility to two villages of Bidar district was not achieved even after 16 years of entrustment of work to the contractor.**

According to Para 209 of Karnataka Public Works Departmental Code, no work was to be taken up without acquiring land required for the work and that there is a reasonable prospect of provision of funds. The designs and drawings were to be approved before entrusting it to the executing agencies. The contractual terms required the contractor to provide a programme of work for completing it as per the schedule. The Executive Engineer and Superintending Engineer were to inspect and supervise the progress of work periodically.

Scrutiny of records of Public Works Division at Bidar during December 2007 revealed delay in completion of bridges including approach roads as discussed below:

The road communication of two villages (Chillargi and Kundgol) at Karnataka and Andhra Pradesh (AP) border was cut off (1978) due to flooding of Singur project of AP. In order to restore the road link, the AP Government agreed to bear the cost for construction of two bridges. The AP Government deposited Rs. 19.50 crore between 1988 and 2008 for construction of two bridges in Karnataka to provide connectivity to the above villages. An estimate for Rs. 5.30 crore was prepared. The Department took more than three years in awarding the contract. Finally the work was entrusted (January 1992) to a contractor for Rs. 7.64 crore. There was delay in progress of work due to delay in handing over of land for casting yard, supply of designs and drawings, payment of mobilisation advance, supply of cement and steel, payment of bills, etc. The progress of work suffered due to stoppage of work by the contractor demanding revised rates for departmental delays. During execution of the Kundgol bridge six pre-stressed concrete girders slipped (May 2006) from their position and fell into the river as the contractor did not secure them by providing diaphragm beams. A proposal for Rs. 31 lakh for erecting new girders had been submitted (November 2006) by Chief Engineer to the Government. The matter is under investigation.

An expenditure of Rs. 17.10 crore had been incurred on the work but bridges still could not be put into use. The work on the fallen girders and approach roads are yet to be completed (October 2008). The delay in completion of the work resulted in cost overrun of Rs. 14.20 crore and time overrun of 13 years (October 2008). Deficiency in reviewing the progress of work at different levels in the Department and failure of the contractor to adhere to his programme of work resulted in non-achieving of objective of restoring communication to the two villages even after 16 years of entrustment and after incurring an expenditure of Rs. 17.10 crore since commencement of work.

The matter was referred to Government in July 2008; reply had not been received (October 2008).

## **4.2 Violation of contractual obligation, undue favour to contractors and avoidable expenditure**

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

#### **4.2.1 Extra payment to a contractor**

**Failure of the Department to regulate payment for extra quantities of work as per the provisions of the tender agreement resulted in avoidable extra payment of Rs. 23 lakh.**

The Government approved (May 2003) construction of a modern integrated computerised check-post at Attibele in Bangalore district at an estimated cost of Rs. 31.95 crore which included construction of a rigid pavement for vehicular movement. The work was awarded (August 2005) to a firm on tender basis for contract amount of Rs. 37.32 crore, at 14.5 *per cent* above Schedule of Rates (SR) of 2003-04. Clause 13 of agreement drawn with the contractor stipulated that the rate applicable for item of work executed in excess of 125 *per cent* of tendered quantity shall be as per SR prevailing in the year in which the excess quantity is executed with plus or minus tender premium. The scheduled completion period was 13 months (September 2006). The work commenced in December 2005, was still in progress (March 2008) and the firm had been paid Rs. 26.15 crore as at the end of December 2007.

Due to wrong assessment of the quantity of work for formation of embankment by the Executive Engineer, Public Works Division, Bangalore at the time of preparation of estimates, the quantity of work increased from 30,500 cum to 1,90,433 cum. For the excess over 125 *per cent* of tendered quantity executed (1,52,308 cum-January 2006) by the firm the rate adopted was Rs. 147.35 *per cum* as against admissible rate Rs. 132.25 *per cum*. This resulted in extra payment of Rs. 23 lakh.

The matter was referred to Government in April 2008; reply had not been received (October 2008).

#### **4.2.2 Avoidable extra expenditure**

**Incorrect values of parameters adopted for arriving cumulative traffic resulted in avoidable extra expenditure of Rs. 28.93 lakh towards providing bituminous macadam.**

As per Indian Road Congress (IRC) specification 37, crust thickness and composition of different layers of road are mainly based on two parameters *viz.*, sub-grade strength (CBR<sup>1</sup>) and cumulative traffic of commercial vehicles expressed in million standard axles (msa). The parameters for arriving at

<sup>1</sup> California Bearing Ratio

cumulative traffic are commercial vehicles of three tonnes or more per day (CVPD) as per last traffic count, design life in years, growth rate of traffic and vehicle damage factor as specified in IRC 37.

Improvement works to Maski-Mudgal road between km 165 and 169.50 and widening between km 171 and 173 was sanctioned (June 2005) by the Chief Engineer for Rs. 60 lakh. As per the sanctioned estimate, the values adopted for cumulative traffic were 1.89 msa (rounded off to two msa) and CBR of four and seven. The scope of work included formation of shoulders, providing water bound macadam, bituminous macadam and mix seal surface as wearing course. The work was awarded (November 2005) to a contractor for Rs. 51.19 lakh. The work was completed (March 2006) and contractor was paid Rs. 54.72 lakh.

Audit scrutiny (January 2008) of Executive Engineer, Public Works Division, Bidar revealed that the value of cumulative traffic of 1.89 msa worked out (rounded off to two msa) for the improvement work was incorrect as wrong values of parameters were adopted. The parameters of 191 CVPD, 3.5 *per cent* Vehicle Damage Factor (VDF) and five years' design life were considered as against actual values of 63 CVPD, 1.5 *per cent* VDF and 10 years design life which works out to 0.56 msa *i.e.* less than one msa. IRC 37 does not specify providing bituminous macadam for one msa and below. Thus, incorrect values of parameters adopted while arriving at cumulative traffic resulted in avoidable extra expenditure of Rs. 28.93 lakh on providing bituminous macadam.

The Executive Engineer replied (June 2008) that 63 CVPD recorded as per traffic count was converted into number of passenger car units using equivalency factor which works out to 189 passenger car units and accordingly VDF of 3.5 was adopted. The reply is not acceptable as only number of commercial vehicles as per last count only was to be considered as per clause 3.3.6.1 of IRC 37.

The matter was referred to the Government in April 2008; reply had not been received (October 2008).

## URBAN DEVELOPMENT DEPARTMENT

### 4.2.3 Avoidable interest payment

**Failure of the Bangalore Development Authority to verify the title of the sites before public auction resulted in avoidable litigation and refund of deposit along with interest of Rs. 77.09 lakh.**

The Bangalore Development Authority (BDA) disposed of five residential intermediate sites in ST<sup>2</sup> Bed Layout of Koramangala Extension in Bangalore in two separate public auctions held in August 2003 and February 2004 and

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<sup>2</sup> Shivagilu Tank

collected a deposit of Rs. 1.16 crore. The successful bidders of these sites could not take possession due to pendency of suits filed by the original owners against the BDA in the City Civil Court, Bangalore. These bidders approached (2005) the High Court for possession of the sites as the BDA failed to effect delivery. The High Court disposed of (August 2007) the case, directing BDA to refund deposit, stamp duty and registration charges along with interest as it had irregularly auctioned the sites. The BDA refunded (September-October 2007) the same along with interest of Rs. 77.09 lakh (August 2003 to October 2007) after deciding not to prefer any appeal against the High Court judgement.

Audit scrutiny (December 2007) revealed that the BDA had auctioned these sites on the basis of an incorrect report from their Engineering Department that they were under Survey No.13 of ST Bed Layout. However, in a subsequent survey conducted (July 2004) by BDA, it was revealed that the auctioned sites actually came under Survey No.19 of Ejipura layout for which land the BDA did not have title. No action was taken to refund the deposit to the bidders although the Member (Finance) of BDA had suggested (December 2004) refund pending settlement of litigation. If the deposit had been refunded in 2004 itself, the payment of interest thereon could have been avoided. Action taken to investigate the lapses of the Engineering Department which led to irregular public auction was not forthcoming.

Thus, failure of the BDA to verify the title of the sites before public auction resulted in avoidable litigation and interest payment of Rs. 77.09 lakh.

The matter was referred to Government in March 2008; reply had not been received (October 2008).

#### **4.2.4 Avoidable payment of interest**

**Failure of the Government to release State Finance Commission grants in time to the Karnataka Urban Water Supply and Drainage Board for repayment of loan for improving the infrastructure facilities of urban local bodies resulted in avoidable payment of interest of Rs. 9.71 crore.**

The Government sanctioned (May 2000) 'Integrated Infrastructure Development of Urban Local Bodies' project at a cost of Rs. 130 crore for improving the infrastructure facilities in the towns/cities coming under urban local bodies (ULBs). The Karnataka Urban Water Supply and Drainage Board (Board) was the nodal agency for implementation of the project and was authorised to draw a loan of Rs. 130 crore from the Housing and Urban Development Corporation (HUDCO) on the guarantee given by the Government. The repayment of loan along with interest was to be ensured by the Board out of its own resources and from the contributions of the ULBs received by the Board from the Finance Department out of the State Finance Commission (SFC) grants. The Board drew (May 2001-March 2002) a loan of Rs. 100 crore and another loan of Rs. 25 crore (December 2002) under two separate loan agreements with the HUDCO. The two loans were to be repaid in quarterly instalments commencing from March 2002 and December 2002

and default of which entailed penal interest at three *per cent* per annum on the principal and interest amounts overdue.

Records of the Board revealed (June 2006) that it could not ensure timely repayment of first loan after paying the first four instalments (2002-03) due to non-release of SFC grants by the Finance Department. The outstanding dues had accumulated to Rs. 28.37 crore at the end of December 2003 as the Government did not respond to the repeated representations (September 2003 to February 2004) of the Board. The Board approached (March 2004) the HUDCO for re-scheduling of loans and the same were rescheduled (August 2004) as follows:

Loan agreement no. and date	Loan drawn (Rs. in crore)	Original schedule of payment		Revised schedule of payment	
		No. of quarterly instalments	Amount of each instalment	No. of quarterly instalments	Amount of each instalment
<b>I Loan</b>					
1281 dated 26.3.2001	100	56 (31.3.2002 to 31.12.2015)	(i) Rs. 178.58 lakh x 8 (ii) Rs. 178.57 lakh x 48	47 (30.6.2004 to 31.12.2015)	(i) Rs. 208.97 lakh x 46 (ii) Rs. 208.80 lakh x 1
<b>II Loan</b>					
1345 dated 15.7.2002	25	53 (31.12.2002 to 31.12.2015)	(i) Rs. 47.16 lakh x 52 (ii) Rs. 47.68 lakh x 01	39 (30.6.2004 to 31.12.2013)	(i) Rs. 64.10 lakh x 38 (ii) Rs. 64.20 lakh x 1

The Board paid (June 2004) re-schedulement charges of Rs. 31 lakh to HUDCO. The reasons for not releasing the SFC grants to the Board in time by the Government were not forthcoming.

Failure of the Government in releasing SFC grants to the Board regularly during the period 2002-04, led to the additional interest liability of Rs. 9.71 crore (**Appendix 4.2**) and payment of re-scheduling charges of Rs. 31 lakh. The Board stated (July 2008) that it was not in a position to service the debt out of its own resources and hence could not make timely payment of instalments.

The matter was referred to the Government in March 2008; reply had not been received (October 2008).

## AGRICULTURE DEPARTMENT

### 4.2.5 Loss of Central assistance

**Failure of the Agriculture Department in preparing single series of crop yield estimates resulted in non-reimbursement of Central share of Rs. 62.22 lakh on crop insurance expenditure.**

Government of India launched (July 1999) National Agricultural Insurance Scheme (NAIS) to provide insurance cover and financial support to the farmers in the event of failure of the notified crops due to natural calamity, pest attacks and diseases. The Agricultural Insurance Company of India was the designated implementing agency (IA). While the IA was liable to settle insurance claims up to 100 *per cent* of the premia received from farmers for

crop insurance, the Central Government and the State Government equally shared the claims arising in excess of the 100 *per cent* of premia paid. The scheme guidelines provided that the State Government shall plan and conduct the requisite number of crop cutting experiments (CCEs) for all notified crops for estimation of crop yields in the notified insurance units and maintain a single series of CCEs conducted at Taluk/Tehsils, Mandals/Hoblis and Grama Panchayats and the resultant yield estimates both for crop production and crop insurance. The claims were to be worked out and settled by the IA on the basis of yield data furnished by the State Government as per the cut off dates.

Scrutiny (April 2008) of records of Commissioner of Agriculture, Bangalore revealed that while working out the claims of farmers in the State for Rabi/Summer crops of 2004-05, the Department did not adhere to the prescribed method of maintaining a single series of CCEs for estimating both crop production and crop insurance. While the CCEs were conducted at taluk level for estimating the crop production, the CCEs conducted at hobli level were adopted for the purpose of crop insurance claims. Accordingly, the claims worked out to Rs. 4.02 crore and Rs. 2.49 crore at hobli and taluk level respectively. The Government of India, however, did not approve (July 2006) this method and worked out the claims with reference to taluk level which was Rs. 2.49 crore and directed the State Government to settle the claims of farmers calculated at hobli level bearing the differential cost (assessed at hobli and taluk level) themselves. While the IA had borne Rs. 2.78 crore against premia of Rs. 3.01 crore collected, the State Government met (March 2007) the remaining Rs. 1.24 crore which included Government of India's share of Rs. 62.22 lakh.

Thus, failure of the Department to comply with the guidelines on preparing single series of crop yield estimates as prescribed by Government of India resulted in foregoing a Central assistance of Rs. 62.22 lakh.

The matter was referred to the Government in July 2008; reply had not been received (October 2008).

### **4.3 Regularity issues and other topics**

#### **EDUCATION DEPARTMENT**

##### **4.3.1 Non-achievement of objectives of computer assisted learning centres**

**The objective of providing computer literacy to primary school children could not be achieved due to unfamiliarity of the teachers in operation of servers, unresolved technical problems and inadequate availability of technical support.**

During the period 2001-05, the State Education Department introduced Computer Assisted Learning Centres (CALC) under Sarva Shiksha Abhiyan (SSA) in 775 Government Higher Primary Schools (GHPS) with the objective of providing computer literacy to primary school children. Each school was provided with three to five desktop personal computers (PCs) for imparting computer education to the students. In the second phase of the project,

covering the years 2005-06 and 2006-07, an additional 1,000 GHPS were selected for introduction of CALC. It was decided that 1,000 GHPS selected under phase II may be provided with servers and thin clients instead of desktop PCs as per recommendations of the Technical Advisory Committee (October 2006) that Server-Thin Client model may be selected for the second phase. Accordingly, orders were placed on Wipro Limited (April 2007) for supply/installation of 1,000 servers, 4,000 thin clients, software/accessories, etc., at a total cost of Rs. 15.75 crore within 60 days. The delivery of hardware was completed during June-August 2007 and an amount of Rs. 10.39 crore has been paid so far (September 2008).

Audit scrutiny revealed that:

- Out of 1,000 schools, no utilisation could be made of the infrastructure in 810 schools till May 2008. There was nil utilisation of the computer servers and thin clients primarily due to unfamiliarity in operation of servers on the part of the teachers. It was further observed that out of the 190 schools where the infrastructure was used, its usage was less than 20 hours in 122 schools, since installation. As a result, hardware procured could be used only in 68 schools for imparting computer education to students indicating that only 10 per cent of the hardware supplied could be put to use.
- Large number of complaints was registered with the supplier, which indicated that many schools could not use the set-up due to non-functioning of the server/thin-clients. The number of complaints registered by the vendor ranged from 10 to 169 per month from the time of installation in June 2007 to December 2007. The complaints received for the 12-month period from December 2007 to November 2008 indicated that the complaints were on the increase and as many as 285 complaints were received from schools in August 2008. The difficulty in providing technical support especially in rural areas compounded the problem.
- The reports compiled by SSA in February 2008 showed that in 13 cases, technical support was available only after periods ranging from two to eight months.
- Out of 21 schools selected across the state for test-check in audit, it was revealed that the system was fully functional only in two schools. The set up was not functioning in seven schools and in another seven schools it was working partially (one or two thin-clients were malfunctioning) due to unresolved technical problems. In the remaining five schools, set up was idle because of reasons such as lack of power, teachers, faulty UPS and/or network, etc. At a few locations, the server alone was being used to show the multimedia content to the children as the thin-clients had not been/could not be configured.

Thus, due to unfamiliarity in operation of the Server-Thin Client model, unresolved technical problems and non-availability of service, most of the schools were not able to utilise the systems leading to non-realisation of objective of the scheme.

The Government replied (September 2008) that the thin-clients were selected only after the technical committee was convinced that the requirements were met in full, the teachers were comfortable in working with the server and thin-

clients and almost all schools were using them. The reply of the Government was not convincing as the usage reports compiled by the SSA itself confirmed that many schools could not utilise the set up due to unfamiliar and complex environment and lack of prompt technical support.

#### **4.4 General**

##### **4.4.1 Follow-up on Audit Reports**

###### **4.4.1.1 Action taken notes**

The Hand Book of Instructions issued by the Finance Department in 2001 for speedy settlement of audit observations as also the Rules of Procedure (Internal Working), 1999 of the Public Accounts Committee provide for furnishing by all the departments of Government, detailed explanations in the form of Action Taken Notes (ATNs) to the observations featured in Audit Reports within four months of their being laid on the Table of Legislature to the Karnataka Legislature Secretariat with copies thereof to Audit Office.

The Audit Reports for the years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 were presented to the State Legislature on 27 March 1997, 14 May 1998, 1 July 1999, 3 May 2000, 24 July 2001, 22 March 2002, 28 March 2003, 21 July 2004, 18 July 2005, 28 March 2006 and 24 July 2007 respectively. Twenty-six Departments as detailed in **Appendix 4.3** had not submitted ATNs for 68 paragraphs, even as of October 2008. These included the following important irregularities, which featured in the Audit Reports 1999-2000 to 2005-06, the delay being over 11 to 83 months:

###### **Audit Report 1999-2000**

###### **Paragraph No. 3.2: Fourth National Games - Youth Services and Sports Department**

The State Government conducted the Fourth National Games during May-June 1997. Due to delay in providing budgetary support by it, major part of expenditure was met through overdrafts availed of from banks resulting in avoidable payment of interest of Rs. 18.59 crore.

###### **Audit Report 2000-01**

###### **Paragraph No. 6.3: Extra contractual/excess payments and undue favour to a contractor - Commerce and Industries Department**

The Chief Executive Officer and Executive Member/Chief Development Officer of the Karnataka Industrial Area Development Board did not enforce the contractual provisions. This, compounded by departmental lapses, facilitated excess payments and undue favours aggregating Rs. 17.97 crore to the contractor, causing huge financial loss to the Board.

### **Audit Report 2002-03**

#### **Paragraph No. 4.1.8: Unauthorised works – Water Resources Department**

The action of the Chief Engineer, Irrigation Central Zone, Munirabad to incur irregular expenditure on an irrigation canal led to an unwarranted financial burden of Rs. 1.86 crore to Government.

### **Audit Report 2003-04**

#### **Paragraph No. 4.4.8: Avoidable payment on acquisition of land – Water Resources Department**

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

### **Audit Report 2004-05**

#### **Paragraph No. 4.2.1: Wasteful expenditure on preparation of Master Plan – Information Technology and Bio-Technology Department**

The entrustment of the work of preparation of master plan for IT corridor without Legislative sanction coupled with delay in finalisation of master plan resulted in Rs. 1.34 crore paid to the firm becoming wasteful.

### **Audit Report 2005-06**

#### **Paragraph No. 4.2.3: Excess payment to a contractor – Water Resources Department (Minor Irrigation)**

Failure of Divisional Officer to enforce the terms of contract and regulate payments accordingly resulted in excess payment of Rs. 3.58 crore to the contractor towards additional de-watering, diversion of water course and transportation of excavated hard rock.

#### **4.4.1.2 Paragraphs to be discussed by the Public Accounts Committee**

Comments on Appropriation Accounts featured in Audit Reports for the years 1989-90 and onwards are pending discussion by the Public Accounts Committee. Details of paragraphs (excluding General and Statistical) pending discussion as of October 2008 are detailed in **Appendix 4.4**.

#### **4.4.2 Non-receipt of stores and stock accounts**

Consolidated accounts of stores and stock are required to be furnished by various Departments to the Accountant General by 15 June of the following year. Delays in receipt of stores and stock accounts have been commented upon in successive Audit Reports. The Public Accounts Committee (1978-80) in its First Report (Sixth Assembly) presented in February 1980 had also emphasised the importance of timely submission of accounts by the Departments. Nevertheless, the delays persist. The Departments from which the stores and stock accounts had not been received by Audit as of October 2008 are mentioned below:

Serial Number	Department	Year(s) for which accounts are due
1.	Agriculture – Director of Agriculture	2007-08
2.	Animal Husbandry & Veterinary Services - Commissioner of Animal Husbandry & Veterinary Services	2007-08
3.	Commerce and Industries - Director of Industries and Commerce	2006-07 & 2007-08
4.	Health and Family Welfare - (i) Director , Health and Family Welfare Services	2007-08
	(ii) Karnataka State Drugs Logistics and Warehousing Society	2007-08
	(iii) Indian System of Medicine and Homoeopathy	2007-08
5.	Home - Inspector General of Prisons	2007-08
6.	Information & Publicity - Director of Information and Publicity	2007-08
7.	Education - Director of Printing & Stationery	2007-08
8.	Revenue (Registration) - Inspector General of Registration and Commissioner of Stamps	2001-02 to 2007-08
9.	Public Works	2005-06 to 2007-08*
10.	Water Resources	2005-06 to 2007-08 <sup>#</sup>
11.	Minor Irrigation	2004-05 to 2007-08 <sup>@</sup>

**\* Accounts due from Public Works**

- (a) One Division - for six half yearly periods (2005-06, 2006-07 and 2007-08)  
(b) One Division - for five half yearly periods (October 2005 to March 2006, 2006-07 and 2007-08)  
(c) Three Divisions - for four half yearly periods (2006-07 and 2007-08)  
(d) Eight Divisions - for three half yearly periods (October 2006 to March 2007 and 2007-08)  
(e) 12 Divisions - for two half yearly periods (2007-08)  
(f) 11 Divisions - for one half yearly period (October 2007 to March 2008)

**# Accounts due from Water Resources**

- (a) Fours Divisions - for five half yearly periods (October 2005 to March 2006, 2006-07 and 2007-08)  
(b) Three Divisions - for four half yearly periods (2006-07 and 2007-08)  
(c) Three Divisions - for three half yearly periods (October 2006 to March 2007 and 2007-08)  
(d) 10 Divisions - for two half yearly periods (2007-08)  
(e) Five Divisions - for one half yearly period (October 2007 to March 2008)

**@ Accounts due from Minor Irrigation**

- (a) One Division - for eight half yearly periods (2004-05, 2005-06, 2006-07 and 2007-08)  
(b) One Division - for six half yearly periods (2005-06, 2006-07 and 2007-08)  
(c) Two Divisions - for four half yearly periods (2006-07 and 2007-08)  
(d) Four Divisions - for three half yearly periods (October 2006 to March 2007 and 2007-08)  
(e) Six Divisions - for two half yearly periods (2007-08)  
(f) Four Divisions - for one half yearly period (October 2007 to March 2008)

### 4.4.3 Inspection Reports Outstanding

#### *Lack of responsiveness of Government to Audit*

The Hand Book of Instructions for Speedy Settlement of Audit Observations issued (January 1974) by the Finance Department provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General (AG) to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. noticed during the inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the AG, who forwards a half yearly report of pending IRs to the Secretary of the Department to facilitate monitoring of the audit observations.

As of 30 June 2008, 815 IRs (3,772 paragraphs) were outstanding against Kannada and Culture, Water Resources, Minor Irrigation and Public Works Departments. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix 4.5**.

A review of the IRs, which were pending due to non-receipt of replies, in respect of these three departments revealed that the Heads of Offices did not send even the initial replies in respect of 96 IRs containing 949 paragraphs issued between 1987-88 and 2007-08 as detailed below:

Sl. No.	Department	Initial replies not received	
		Number of IRs	Number of paragraphs
1.	Kannada and Culture	12	61
2.	Water Resources	32	347
3.	Public Works	52	541
<b>Total</b>		<b>96</b>	<b>949</b>

It is recommended that Government may look into this matter and see that procedure exists for (a) action against the officials who failed to send replies to the IRs/paragraphs within the prescribed time schedule; (b) action to recover loss/overpayment in a time bound manner; and (c) strengthen the system for proper response to the audit observations in the departments.