

CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

SECTION 'A' - REVIEWS

URBAN DEVELOPMENT DEPARTMENT

6.1 Cauvery Water Supply Scheme - Stage IV - Phase I

Highlights

Bangalore Water Supply and Sewerage Board (Board) took up Cauvery Water Supply Scheme - Stage IV – Phase I (Project) for execution with loan assistance from Overseas Economic Co-operation Fund, Japan (OECF). The Project which was scheduled for completion by December 2001 witnessed serious slippages in execution of water supply and sewerage works on account of delays in acquisition of lands and finalisation of survey and other investigations. Board's mismanagement of contracts facilitated several irregularities in award of contracts and the consequent financial loss, extra expenditure and undue favour to contractors.

Board's failure to obtain OECF's concurrence before allowing the tenderers to regularise their non-responsive tenders and further failure to object the wrong grading of the four tenders as initially responsive by the consultant, resulted in OECF wrongly selecting a tender which was costlier by Rs.17.05 crore than the lowest tender.

(Paragraph 6.1.7.1)

Board's failure to reject the tender submitted late by a company, as per tender conditions facilitated OECF's award of contract to the company after rejecting the lowest offer on untenable grounds. In the process, Board had to bear extra expenditure of Rs.9.36 crore.

(Paragraph 6.1.7.1.1)

Board's unjustified rejection of the lowest tender received for clear water transmission mains and its award to a financially weak company resulted in wasteful expenditure of Rs.40.14 crore.

(Paragraph 6.1.7.1.2)

Board relaxed the pre-qualification criteria/tender conditions and changed the material specification of pipe at the tender stage to award the contract of city trunk mains and feeder mains to a particular company at an extra expenditure of Rs.1.98 crore.

(Paragraph 6.1.7.1.3)

Changes were agreed upon in the contract agreement without Board's approval after award of work relating to mechanical and electrical works for clear water transmission pumping stations. These changes facilitated undue tax concessions aggregating Rs.84 lakh to a company.

(Paragraph 6.1.7.2)

Board made extra payment of Rs.1.67 crore to a construction company for work executed during the extended period of contract. The extension of contract was due to delay in award of a related contract.

(Paragraph 6.1.7.3)

6.1.1 Introduction

In order to meet growing demand, Cauvery Water Supply Scheme-Stage IV-Phase I (Project) was designed to augment water supply and sewerage systems in Bangalore city. Bangalore Water Supply and Sewerage Board (Board) was implementing the Project with loan assistance from Overseas Economic Co-operation Fund, Japan* (OECF), and grants/loans from State Government. According to the loan agreement (January 1996) with OECF, Government of India (GOI) was the borrower and the Board was the executing agency. OECF was to extend financial assistance of 28452 million Yen (Rs.984.50 crore out of the appraisal Project cost of Rs.1342 crore which was later pruned by State Government to Rs.1072 crore) over a six year horizon ending March 2002. OECF was charging GOI, interest at the rate of 2.1 per cent per annum. However, GOI was charging the Board 12 per cent per annum to cover the contingency of foreign exchange fluctuations. The Project which could not be completed by March 2002 as envisaged in the loan agreement was rescheduled for completion by September 2004. Expenditure of Rs.710.40 crore was incurred on the Project till March 2002.

6.1.2 Organisational set up

The Board headed by a Chairman was responsible for implementation of the Project through an Engineer-in-Chief (EIC) assisted by two Additional Chief Engineers and four Executive Engineers. A consortium of consultants appointed by the Board assisted them. Apex Committee and Technical Committee in the Board assisted in technical and other matters relating to the Project.

6.1.3 Audit Coverage

The implementation of the Project was reviewed between April 2002 and June 2002 through a test-check of records of the Board and three Executive

* Subsequently redesignated as Japan Bank of International Co-operation

Engineers, covering an expenditure of Rs.472.28 crore (66 per cent of total expenditure). The findings of the review are discussed below.

6.1.4 Financial Progress

State Government in their budget provided funds for the Project in the form of loans to the Board. OECF reimbursed the expenditure incurred by the Board at the prescribed disbursement ratio. Details of funds released by State Government for the Project and the expenditure incurred by the Board during 1994-2002 were as under:

(Rupees in crore)		
Year	Funds released	Expenditure
1994-95	2.00	0.62
1995-96	2.00	1.01
1996-97	8.40	1.98
1997-98	12.48	15.98
1998-99	74.84	72.60
1999-00	114.00	112.51
2000-01	220.00	227.47
2001-02	280.00	278.23
Total	713.72	710.40

(Source : Annual Financial Statements)

As of March 2002, OECF had disbursed 11111 million Yen (Rs.337.22 Crore) against the loan of 28452 million Yen (Rs.984.50 crore)(calculated on average rate basis during the 5 years period at 100 Yen = Rs.30.35).

6.1.5 Physical Progress

As of May 2002, the status of works relating to various water supply and sewage components was as shown below:

Water supply works

Details of contract awarded	Tender price at award (Rupees in crore)	Date of contract	Contract completion date	Actual time taken as of May 2002 (in days)	Physical progress (per cent of total)	Expenditure incurred (Rupees in crore)
W1 Raw Water Transfer	20.25	21.2.2000	8.8.2001 (546 days)	812	95	18.97
W2 TK Halli Water Treatment Plant	38.30 (excluding taxes)	15.4.1999	13.4.2001 (730 days)	1113	95	42.39
W3a Construction of clear water pumping stations and reservoirs at TK Halli, Harohalli and Tataguni	18.04	14.12.1998	20.1.2001 (749 days)	1215	99	23.66
W3b Mechanical and Electrical works for clear water transmission pumping stations	33.27 + 21.06 crore Japanese Yen	15.3.2000	5.4.2002 (805 days)	831	98 (supplies)	48.25
W4a Supply of mild steel plates	118.04	11.6.1998	30.6.2000	Completed on 2.9.2000	100	107.60
W4b Fabrication and laying of clear water transmission main (TK Halli to Harohalli)	76.39	16.6.1999	31.5.2001 (749 days)	1084	88	72.38

W4c	Fabrication and laying of clear water transmission main (Harohalli to Kotnurinne)	80.49	26.11.1999	10.12.2001 (749 days)	891	92	71.67
W5a	Civil and Electromechanical works for balancing reservoir and booster pumping stations at Hegganahalli, Reservoirs at Singapura and GKVK	19.59	3.6.1999	31.5.2001 (735 days)	1070	93	19.11
W5b	Balancing reservoirs at Kotnurinne, Kodichikkanahalli and Hudi	11.66	27.5.1999	30.5.2001 (735 days)	1071	92	11.11
W5c	Civil and Electromechanical works for pumping station at Kodichikkanahalli, Reservoir at Veerasandra and pumping main from Kodichikkanahalli to Veerasandra	9.16	6.7.2001	27.12.2002 (540 days)	299	70	4.80
W6a	Providing and laying of city trunk mains and feeder mains/inter connections	64.76	18.6.1999	5.7.2001 (735 days)	1035	85	57.15

Sewage works

Details of contract awarded		Tender price at award (Rupees/yen in crore)	Date of contract	Contract completion date	Physical progress (per cent of total)	Expenditure
S1a	Sewage Treatment plant at Rajamahal and K&C Valley	56.42 + 15.50 Japanese Yen	29.10.2001	8.11.2003 (735 days)	4	9.21
S1c	Sewage treatment plant at Jakkur and KR Puram	26.34 + 3.00 Japanese Yen	21.3.2002	30.3.2004	Design review in progress	2.63
S2	Trunk Sewers	48.57	29.12.2001	9.1.2004	2	4.85

Slippages in completion of the Project

Although the loan agreement envisaged completion of procurement and construction by December 2001, work in none of the Packages (with the exception of W4a) had been completed. The Project witnessed serious slippages in completion of sewage works. Out of 6 Packages into which the sewage works were divided, contracts for three packages (S1a, S1c and S2) were awarded only between October 2001 and March 2002. While tender evaluation was in progress in respect of two more packages (S1b and S1d), the contract relating to Package S3 was awarded only in May 2002. The main reasons for delay in completion of water supply and sewage works were changes in locations of pumping stations, reservoirs and sewage treatment plants in six^Φ packages and revisions of trunk mains in five¹ packages. Besides, Board undertook geographical survey, geo-technical investigation, analysis of sewage flows and mapping of the project areas only after awarding (November 1996) the consultancy contract. Delay in completion of these activities resulted in serious slippages in finalisation of construction drawings, tendering process, award of contracts and completion of works in all the

^Φ W3a, W4b, W4c, W5a, W5b, W6a,

¹ S1a, S1b, S1c, S1d and S2

packages. In the case of transmission pipeline, consultant observed that the survey done was seriously inaccurate, necessitating redesigning and redrafting of most of the longitudinal profiles. Board stated (August 2002) that extension of construction schedules was mainly due to internal problem faced by them in land acquisition, clearance from local authorities, litigation etc. As these problems were within the knowledge of the Board even while initiating land acquisition proceedings, suitable measures should have been taken to avoid delays in land acquisition and changes in location.

6.1.6 Consultancy

Delay in completion of the Project led to extra payment of Rs.6.04 crore to the consultant

As per the agreement with OECF, the Board was to appoint consultants to assist in preparation of designs, detailed engineering, pre-qualification documentation, bid documentation and evaluation, construction review and monitoring etc. Accordingly, the Board awarded the consultancy contract at a cost of Rs.36 crore* to a consortium of consultants* (consultant). The period of consultancy was 63 calendar months till March 2002.

As there were serious slippages in acquisition of land, finalisation of survey and other investigations (as detailed in para 6.1.5 *ibid*), the water supply and sewage works could not be completed by March 2002, necessitating extension of the consultancy contract. The expenditure upto March 2002 on consultancy was Rs.16.71 crore plus 492.63 million Yen as against the agreed cost of Rs.19.65 crore and 559.27 million Yen although works valued Rs.149 crore out of the total base cost of Rs.800 crore were not even tendered as of March 2002. Thus, proportionately higher expenditure on consultancy was due to 121 additional manmonths (cost Rs.2.26 crore) spent by the consultant on reworking of various data on account of defective survey, changes in location of different components, etc., which was avoidable. OECF approved (May 2002) extension of the consultancy agreement up to March 2004 subject to an overall cost of Rs.22.86 crore plus 656.08 million Japanese Yen. Board stated (August 2002) that the award of contract in respect of a few packages was held up due to litigation, additional designs for box culverts due to conversion of State Highway to National Highway etc., which resulted in extending the term of consultancy beyond 2002. The reply was not tenable as appointment of consultants for the project without acquiring land necessitated changes in location of different components and the consequential avoidable expenditure on additional manmonths on reworking of various data. Besides, various slippages in execution of the Project necessitated extension of the consultancy agreement at an avoidable expenditure of Rs.6.04 crore.

* consisting of Indian Rs.19.65 crore and Japanese Yen 559.27 million or Rs.16.35 crore at the exchange rate of 3.42 Yen for one Rupee

* Pacific Consultants International, Japan, Mott Macdonald, England and Tata Consulting Engineers, India

6.1.7 Contract Management

Scrutiny revealed that the Board did not manage the contracts relating to the Project effectively. The Project witnessed several lapses and irregularities in award and management of contracts with consequent delays, financial loss, extra expenditure and undue favour to contractors. These are discussed below:

6.1.7.1 Irregularities in invitation and acceptance of tenders

Board received (June 1998) tenders from nine out of eleven pre-qualified companies or group of companies for the work. According to the tender conditions, only those tenders that were substantially responsive were to be considered for detailed evaluation.

The consultant advised (June 1998) in the interim report to the Board that no tender was fully responsive as every tender contained deviations which would render them invalid. As rejecting the non-responsive tenders as per OECF's guidelines and retendering, was expected to delay the construction of the whole Project, the consultant suggested giving an opportunity to all the tenderers to regularise their deficient tenders by withdrawing unacceptable commercial and other deviations, furnishing missing information etc. Consultant also requested the Board to consult OECF prior to proceeding with this alternative approach. However, the Board proceeded with the alternative approach without concurrence of OECF. The Board stated that since the overall responsiveness to tenders was unsatisfactory, all the tenderers were given an opportunity to provide clarifications and regularise their tenders. The reply was not tenable, as Board did not take prior approval of OECF for processing the deficient tenders, which were liable for rejection as per the tender conditions.

Although all the tenders were initially non-responsive and became responsive only after obtaining clarifications on various issues, the consultant, in their evaluation report, wrongly graded four tenders as initially responsive which did not include the lowest tender of Wabag Wassertechnische Anlagen GmbH, Germany (Wabag) for Rs.24.69 crore. Yet, the Board failed to object to the wrong grading of the tenders by the consultant.

OECF preferred acceptance of a tender at extra expenditure of Rs.17.05 crore

However, the consultant and the Board ultimately recommended (October 1998) the lowest tender of Wabag. OECF observed (October 1998 and December 1998) that the contract should be finalised only in favour of the lowest of the four "initially responsive" tenders as graded by the consultant in their evaluation report. In order to maintain better relationship with OECF who had been funding 4 to 5 projects in the State, the Board decided (February 1999) to recommend the tender of Degremont, France, which was the lowest of the four tenders wrongly graded by the consultant as initially responsive. OECF approved (March 1999) the award of tender to Degremont, at a cost of Rs.41.74 crore.

Thus, Board's failure to obtain OECF's concurrence before allowing the tenderers to regularise their non-responsive tenders and further failure to rectify the wrong grading of the four tenders as initially responsive by the

consultant provided scope to OECF for wrongly selecting a costlier offer at an extra expenditure of Rs.17.05 crore.

6.1.7.1.1 *Package W3b - Mechanical and Electrical works for Clear Water Transmission Pumping Stations*

Unjustified rejection of lowest tender by OECF resulted in extra expenditure of Rs.9.36 crore

Out of 7 tenders received (August 1998) by the Board for the work, the tender of a joint venture company (SME⁺) for Rs.42.63 crore[⊗] was the lowest. Although the Board approved (January 1999) the lowest tender of SME, OECF insisted (June and August 1999) on award of contract to Bharat Heavy Electricals Limited-Kubota Corporation Japan (BHEL-KCJ). The grounds adduced by OECF for rejection of SME's offer and the Board's response in a series of correspondence were as shown below:

OECF's observations	Response of the Consultant/ Board
The higher efficiency of SME was not achievable, as similar pumps supplied by Mathew and Platt, the consortium partner of SME for all the earlier stages of the Project had achieved efficiency of only 89.3 to 89.4 per cent	The tested performance results of Mathew and Platt pumps showed that they had achieved efficiencies as high as 93.56 per cent on actual hydraulic tests. The efficiency of 91.5 per cent had been achieved by them in the past.
	Board had recently placed an order with Mathew and Platt for supply of pumps for Cauvery I and II Stages with efficiency of 91 per cent
	Mathew and Platt had supplied all the pumps in the past for Cauvery I, II and III stages and they had invariably exceeded the quoted efficiency.
	The efficiency of 89.3 and 89.4 per cent achieved in the earlier stages of the Project was 9 years old.
	Additionally, the Board was insisting on an irrevokable bank guarantee from SME for Rs.4.33 crore for any shortfall in the quoted efficiency.
The cost for supply and installation of pumps quoted by SME was abnormally low compared to the prevailing market prices.	The rates quoted for pumps were the current prevailing market rates and Mathew and Platt had been supplying pumps at similar rates.
Subash Projects and Marketing Limited (SPML), the lead partner of SME was not considered for other contracts of the project based on their poor financial standing and capability.	SPML was not considered for other contracts (W4b and W4c) principally because of low rates quoted. Board had no reservations about the capability in terms of financial strength and technical expertise of SPML

⁺ Subash Projects and Marketing Limited, Mathew and Platt (India) Limited and EMCO

[⊗] Base Cost: Rs.34.41 crore, Taxes: Rs.7.75 crore and loaded cost: Rs.0.47 crore

The consultant further listed out the following advantages in accepting the offer of SME.

- (i) The Board had procured Mathew and Platt pumps in all earlier stages of the project. This would simplify maintenance and spare holdings.
- (ii) Even if the efficiencies obtained were not higher than those achieved on the pumps supplied for earlier stages of the Project, the pumps of SME would still have higher efficiencies than those offered by other tenderers.
- (iii) The Board did not experience any particular operational problems with Mathew and Platt pumps.
- (iv) No other tenderer offered clear operational and commercial advantages over that of SME.

In spite of these advantages, OECF refused (June 1999 and July 1999) to reconsider their stand and insisted on submission of proposal for award of the tender in favour of BHEL-KCJ and finally approved (August 1999) the tender of BHEL-KCJ (loaded[⊗] cost: Rs.51.99 crore^Y).

Award of tender to BHEL-KCJ was also not justified, as according to the tender conditions, any tender received after the prescribed deadline would not be accepted. Though BHEL submitted their tender late, the Board, instead of rejecting the tender, opened it and evaluated it on the ground that there was no objection from other tenderers. This was unjustified as the Board should have been guided only by the tender conditions and the departure facilitated evaluation of the tender of BHEL and the eventual award of work to them. Board did not show this concession for any other package and in fact, rejected a tender for Package W5b on grounds of delayed submission.

Board stated (August 2002) that OECF turned down the offer of SME as unreliable in spite of giving clarifications on various points and Board had to recommend the offer of BHEL-KCJ for acceptance as per OECF guidelines. The reply was not tenable as Board's processing of the late tender of BHEL-KCJ in contravention of the tender conditions created scope for OECF to award the contract in favour of BHEL-KCJ after rejecting the lowest tender of SME on untenable grounds. In the process, Board had to bear extra expenditure of Rs.9.36 crore.

[⊗] The loading was done by taking the tender with the highest guaranteed efficiency for the pumpsets and transformers as the base to judge the other tenders.

^Y Tendered cost Rs.34.48 crore, Taxes Rs.5.43 crore and Loading Rs.12.08 crore

6.1.7.1.2 Packages W4b and W4c – Clear Water Transmission Mains

Board unjustifiably rejected lowest tenders for two packages and awarded the contracts to a financially weak company at an extra expenditure of Rs.40.14 crore

Board received (October 1998) eight tenders for each of the two packages and SPML submitted the lowest offer (excluding provisional sums) of Rs.55.02 crore and Rs.57.36 crore for Packages W4b and W4c respectively. Based on the consultant's evaluation reports, Board requested (March 1999) OECF's approval for the fifth lowest tender of Dodsals Limited (Dodsals) for Rs.73.81 crore for Package W4b and the sixth lowest tender of Larsen and Toubro Limited (L&T) for Rs.82.05 crore for Package W4c. While OECF approved (April 1999) the tender of Dodsals for Package W4b, they insisted (June 1999) on award of Package W4c also to Dodsals who had quoted Rs.78.71 crore and stood 5th in the ranking. Scrutiny revealed that the Board's reasons for not accepting the offer of SPML for the two packages were not justified as discussed below:

Board's reasons for rejection	Audit findings
<p>Tender priced far below the Minimum Cost Estimate *</p> <p>SPML's tenders for Package W4b and W4c were below the Minimum Cost Estimates of the consultant by 21 per cent and 19 per cent respectively. Executing the works satisfactorily for such a low price was not possible.</p>	<p>The tender conditions provided that if the lowest tender was seriously unbalanced in relation to the Engineer's estimate, the Engineer could increase the performance security to a sufficient level to protect against financial loss in the event of default by the contractor. Board failed to explore the possibility of obtaining additional performance security from SPML. Board's reply that enhanced performance guarantee would be of no avail if the contractor defaulted on his obligations necessitating execution of the work through another contractor was not tenable as Board awarded the contract of Package W1 to SPML subsequently in spite of unbalanced rates after obtaining additional performance guarantee.</p> <p>The lowest tenders recommended/accepted by the Board for several water supply packages (W2, W3a, W3b, W5a and W5b) of the project were far lower than the estimates by 17 to 39 per cent. In these cases Board did not raise the issue of workability or reasonableness of the rates quoted and attributed the low rates to depressed market sentiment and world-wide recession and no Minimum Cost Estimate was prepared.</p>

* An estimate of the least cost at which the work could be done without allowing for any of the normal breakdowns, delay in work and other contingencies. The estimate was built from current basic material and labour costs

Board's reasons for rejection	Audit findings
	After rejecting their tenders for Package W4b and W4c, Board awarded (February 2000) the contract of Package W1-Raw Water Transfer to SPML for Rs.20.25 crore at 12 per cent below the Minimum Cost Estimate of the consultant.
SPML's capacity to undertake Packages W4b and W4c was limited and was, therefore, likely to face cash flow problems.	SPML's financial status was far better than that of Dodsai as shown in Appendix-6.1. Further, Board was sanctioning mobilisation advance for other Packages at 10 per cent of the contract sum against bank guarantees with interest at 10 per cent per annum. Board, infact, sanctioned such mobilisation advance to Dodsai for Packages W4b and W4c. Had this been done in the case of SPML also, there would have been no shortage of working capital. Further, Dodsai even after sanction of mobilisation advance, did not give sufficient progress due to cash flow problems. The work in both the Packages came to a stand still as Dodsai did not pay large dues of their sub-contractors.
SPML's engineers who possessed pipe fabrication experience were on contract and not regular employees and their availability could not, therefore, be relied upon.	This was not a valid objection as the tender conditions did not prescribe that the staff could not be engaged on contract basis.
Considerable number of equipment was to be hired/leased by SPML and this raised concern about the progress and quality of work with hired machinery.	Many equipment of SPML were procured on hire/ purchase basis and were available with them for use. SPML was pre-qualified only after they satisfied the conditions prescribed by the Board for fabrication experience and machinery.

Thus, Board's unjustified rejection of the lowest tender of SPML for Packages W4b and W4c and award of these contracts to a financially weak company at higher rates resulted in extra expenditure of Rs.40.14 crore (at the tender stage).

6.1.7.1.3 Contract W6a – City Trunk Mains, Feeder Mains/Inter-connections

Board changed the tender conditions and material specification to award the contract to a predetermined company

One of the conditions for pre-qualification was that the applicant was to have experience of providing and laying steel/ductile iron (DI)/cast iron (CI) pipeline of diameter 600 mm and above for a length of 10 km in a single project. The consultant cleared eight agencies for pre-qualification. One of the disqualified agency was Electro Steel Castings Limited, Calcutta (EC) who did not have the prescribed experience. Based on the representation of EC, Board pre-qualified (July 1998) them also on the ground that they, being pipe

manufacturers, were in a position to offer lower bid. This was an undue favour to EC as Board did not consider the pre-qualification tender of another company which had laid pipes of 800 mm dia in a project for a length of 9.70 kms. OECF approved (October 1998) the pre-qualification of EC.

The tender forms as issued (January 1999) to pre-qualified agencies prescribed a minimum of five years of satisfactory service of DI pipes supplied and laid. Board reduced it to a minimum of three years through an amendment for which reasons were not forthcoming. EC represented (February 1999) to OECF that their experience would be slightly less (two months) and requested for accommodating them in the tendering process. OECF requested (February 1999) the Chairman of the Board to consider the period for eligibility as approximately three years in place of minimum of three years. The Board issued (February 1999) an amendment to the tender condition in this regard. OECF approved (May 1999) the lowest tender of EC for Rs.64.76 crore.

According to the Memorandum of Discussion with the OECF, pipes upto 800 mm in diameter for feeder and trunk mains were specified as CI and pipes of 1000 mm dia or more as mild steel (MS). During a meeting (December 1998), the Board proposed DI pipes in place of CI pipes for pipes of less than 1000 mm dia. The consultant informed (December 1998) the Chief Engineer (CE) of the Board that MS pipes were considerably cheaper for the intermediate sizes (800 mm to 1000 mm dia) than DI pipes. They also stated that EC was the sole manufacturer of DI pipes in the country and that changing the material specification for pipes below 1000 mm dia to DI would give unfair advantage to EC over the other pre-qualified agencies. Reporting substantial cost savings of Rs.5.15 crore between DI and MS pipes of 800 mm dia to be laid over a length of 20.80 km, the consultant suggested to the CE that tenders be invited both for DI and MS pipes for the intermediate sizes. They also requested the CE to apprise the OECF of the consequences of switching over to DI pipes.

The CE, however, informed (December 1998) the consultant to prepare contract documents for the use of only DI pipes for sizes below 1000 mm dia without giving any alternative. His reasoning was that pursuing the matter with OECF would only delay W6a contract. His reasoning was biased as changing the material specification of the pipeline below 1000 mm dia to DI at the tender stage inspite of substantial financial implications helped only EC who was the sole manufacturer of DI pipes in the entire country. Further, when steel pipes were proposed to be used for the same package in sizes from 1000 mm dia upwards, there was no reason why the same pipes could not be used in sizes below 1000 mm dia. The consultant also opined (December 1998) that the steel pipes were acceptable technically. Thus, changing the material specification to DI tilted the award of contract in favour of EC. Board stated (August 2002) that the matter regarding use of MS pipes for diameter below 800 mm was not pursued with OECF to ensure that proper distribution lines are available in time. Board further stated that the loss of Rs.5.15 crore projected was based on notional figures of Rs.8186 and Rs.5080 per metre adopted by the consultant for DI and MS pipes respectively while the rate quoted by EC for DI pipe was only Rs.7010 per metre and the actual

cost of MS pipe would be Rs.7600 per metre. The reply was not tenable as the actual cost of 800 mm diameter MS pipe based on the weight of steel and the rates of fabrication and lining accepted by the Board for higher dimensions of MS pipe for Package W1 worked out to only Rs.6057 per metre. Thus, there would still be loss of Rs.1.98 crore as a result of switching over to DI pipes.

Thus, the relaxation made in pre-qualification criteria, changing the material specification of pipe at the tender stage inspite of substantial financial implication of Rs.1.98 crore and modifying the tender condition regarding experience to accommodate EC indicated that the award of contract to EC had been predetermined. The matter calls for investigation.

6.1.7.2 Unjustified tax concession to BHEL (Package W3b)

**Undue tax
concession of
Rs.84 lakh to a
company**

Section 19 A of Karnataka Sales Tax Act, 1957 (Act) provides for deduction of tax at source in the case of work contracts. During tender evaluation, the Board required (December 1998) BHEL to provide the basis of calculation of taxes and duties in their quoted rates for each item of equipment. BHEL stated (December 1998) that the basis was the rate prevailing as on 19 August 1998 and that they were unable to give the break-up of taxes and duties against each equipment. The prevailing rate of Works Contract Tax (WCT) was 10 per cent and BHEL's offer, therefore, included WCT of 10 per cent both on the cost of supplies and erection/commissioning. However, while entering into agreement with BHEL during February 2000, the work was divided into two divisible contracts, by Engineer-in-Chief, one for supply of equipment and the other for erection and commissioning. This did not have Board's approval.

Although the consultant objected to the division of contract, they subsequently recommended the same to minimise the liability of BHEL towards WCT. Issue of Form C to BHEL for equipment supplies which was not provided for in the tender was also irregularly agreed upon at the time of entering into agreement. No rebate was obtained from BHEL while agreeing for the division of contract though the latter benefited substantially from this as discussed below:

(a) As a result of division of the contract, cost of supplies did not attract WCT under Section 19 A of the Act. However, under Section 5 of the Act, tax at the same rate of 10 per cent was payable by BHEL on cost of supplies. Executive Engineer of the construction Division issued (August 2001) Form C to BHEL for supplies costing Rs.9.70 crore. For supplies against Form C, BHEL was to pay tax under the Act at the concessional rate of only 4 per cent as against 10 per cent. Thus, BHEL who had loaded tax at 10 per cent on cost of supplies eventually paid only 4 per cent and profited to the tune of Rs.58.20 lakh .

(b) Further, cost of erection and commissioning did not attract any tax under the Act as they involved only labour and there was no transfer of property in goods. Thus, as a result of dividing the contract, BHEL profited to the tune of Rs.25.80 lakh on the cost of labour (Rs.2.58 crore) also as their rates quoted for erection and commissioning in the composite contract included 10 per cent WCT.

Board stated (August 2002) that taxes and duties paid would be verified and action would be taken to recover the overpayment made, if any.

Thus, changes agreed upon in the agreement after award of work without Board's approval facilitated undue tax concession aggregating Rs.84 lakh to BHEL.

6.1.7.3 Extra payments during extended period of contract

Extra payment to a company during the extended period of contract

Board entrusted (December 1998) the construction of clear water pumping station and reservoirs under Package W3a to L&T at a cost of Rs.18.04 crore. The work was to be completed by January 2001.

The completion of the work in this Package was linked to Package W3b as many of the inputs to finalise the drawing for civil works were required from Package W3b, the contract for which was awarded only in March 2000 due to litigation by one of the tenderers against the award of contract to BHEL-KCJ. As L&T were required to work beyond the contractual completion date, they demanded enhanced rates. Board/EIC approved (July 2001) enhancement of the rates by 32 per cent for the work turned out from January 2001 till completion of the work. This involved an extra payment of Rs.1.67 crore.

6.1.8 The matter was referred to Government in July 2002; reply has not been received (November 2002).

SECTION 'B' - PARAGRAPHS

COMMERCE AND INDUSTRIES DEPARTMENT

6.2 Working of Karnataka Industrial Areas Development Board

The Karnataka Industrial Area Development Board (Board) was constituted in 1966 with the objectives to promote and assist in the rapid and orderly establishment, growth and development of Industries and to provide industrial infrastructure facilities and amenities in the industrial areas, develop Industrial areas declared by the State Government and make them available for undertakings to establish themselves, maintain, develop and manage Industrial estates and undertake such schemes or programme of works either jointly with other corporate bodies or institutions or with the Government or with the local bodies or agencies. The Board has been empowered to acquire, hold and dispose off property, both movable and immovable and to enter into contract and to do all things necessary for the purpose of the Karnataka Industrial Area Development Act, 1966 (Act).

The Board provided funds to programmes out of its own resources generated from allotment of plots etc., and also from borrowings. The Board also received grants from Government of India (GOI) and State Government for sponsored programmes. While the balance loan as of March 1997 was Rs.24.99 crore, the Board had borrowed Rs.515.43 crore, repaid Rs.371.68 crore during 1997-02, leaving a balance of Rs.168.74 crore. During the same period, the Board incurred expenditure of Rs.631.85 crore (Revenue-Rs.95.46 crore and Capital-Rs.536.39 crore).

The following points were noticed in audit.

**Avoidable
payment of
interest of
Rs.15.66 lakh**

(a) The Board was operating its transactions through the current account in Corporation Bank. However, during January 1998 and December 1998, Board operated another current account in Global Trust Bank (GTB). While cash balances in the current account/short term fixed deposits ranging from Rs.5 crore to Rs.10 crore were available in GTB, cheques were issued on Corporation Bank where there were inadequate balances. This resulted in availment of overdraft/Cash Credit and avoidable payment of interest of Rs.15.66 lakh.

**Divisional
Officers
delayed
transfer of
funds to
Board's main
account**

(b) Divisional Officers (DOs) who collected dues on behalf of the Board remitted them to their current accounts with Corporation Bank. According to standing instructions given to Corporation Bank, the amounts in the current accounts of DOs and Deputy DOs were to be transferred to the Board's main current account before 10th of every month. During 1998-2001, there was delay ranging from 2 to 30 days in transferring funds ranging from Rs.0.42 lakh to Rs.96.23 lakh to the Board's current account. During this period, the Board availed overdraft and cash credit facilities from Corporation Bank.

Board's interest burden on such credit facilities could have been reduced atleast by Rs. 0.18 crore if timely transfer of funds had been ensured.

Board showed undue favour to ITPL

(c) State Government approved (December 1993) the participation of the Board in the Information Technology Park Limited (ITPL), promoted by the Tata Group and a Singapore Consortium. Board was to provide 68 acres of land costing Rs.17.63 crore for the proposed Joint Venture. Board handed over (August 1998) the land to ITPL. Although the Government was committed to provide only land for the project, Board irregularly paid Rs.1.45 crore to the Bangalore Development Authority (BDA) for obtaining approval to the development plan. Chief Executive Officer & Executive Member (CEO&EM) stated (April 2002) that when the project was conceptualised, it was assured that the land duly converted would be handed over to ITPL. He further stated that instead of the Board paying the entire development charges as per the assurance, only 50 per cent was paid. The reply was not tenable as the Government sanction of December 1993 gave the assurance of only authorising the BDA to consider the change of land use according to their rules and regulations and did not give any commitment to bear the development charges. Thus, Board showed undue favour to ITPL by paying the development charges aggregating Rs.1.45 crore.

(d) Unnecessary Acquisition of land

25 per cent of developed land remained unallotted upto 30 years

As of January 2002, Board acquired 28988 acres of land, developed 25840 acres, land available for allotment was 21669 acres, and Board allotted 15929 acres. 5740 acres (25 per cent) of land developed valuing Rs.313.40 crore at prevailing price had not been allotted. Of this, 325 acres (cost Rs.22.83 crore), 718 acres (Rs.28.61 crore), 2286 acres (Rs.103.10 crore) had remained unallotted upto 30 years. Besides, 854 acres of land was denotified (December 1998 to July 2001) after completing acquisition process resulting in wasteful administrative expenditure of Rs.3.63 crore (10 per cent of value of land). Evidently, acquisition and development of land was carried out without proper demand survey.

(e) Irregular payment of Rs.1.56 crore for Kharab land

Compensation paid for kharab land

Under the Karnataka (Regulation of unauthorised occupation of land) Rules, 1970, no compensation was payable for Kharab land when acquired for public purpose. Special Land Acquisition Officer (SLAO) of the Board at Dharwad irregularly paid (September to November 2000) compensation of Rs.1.56 crore for 115 acres of Kharab land acquired for Dharwad Growth Centre (GC). While furnishing the names of officers responsible for the irregular payment, CEO&EM stated (April 2002) that the matter had been taken up with Principal Secretary, Revenue Department and action would be taken on receipt of clarification regarding ownership of land and admissibility of compensation for these lands. However, land in question was kharab land and no compensation was payable as per rules.

(f) Single unit complex

Board did not follow guidelines for acquiring land for SUC

According to the guidelines framed by the Board for acquiring the land at the request of Single Unit Complex (SUC), the indenting SUC was to deposit the land cost and service charges with the Board before issue of notification for acquisition. The Board was also to obtain undertaking from SUC for payment of enhanced compensation in the event of Court granting enhanced compensation to land owners. Board did not follow these conditions while acquiring land for SUC as discussed below:

(i) M/s. Mahindra Group of Companies (Company) requested (May 2000) for 30 acres of land at Maddur for setting up a tractor unit. However, company did not deposit compensation amount nor did the Board insist for the same. As against requirement of 30 acres, Board acquired (August 2001) by mutual consent 78 acres and 30 guntas of land, at Rs.4.5 lakh per acre while prevailing rate was Rs.0.70 lakh to Rs.1 lakh per acre as per the details furnished by Sub-Registrar, Maddur. However, company did not take possession of land at all. Thus, hasty action of the Board in acquiring the land without getting the compensation deposited and acquiring land in excess of requirement resulted in unfruitful expenditure of Rs.3.54 crore.

(ii) Shree Quality Cements (SQC) requested the Board for allotment of 38 acres of land (November 1979) and 305 acres (May 1983) in Mudhol Taluk for mining, lime deposit and establishing cement unit. The Board initiated acquisition process during 1985 though SQC deposited Rs.19.37 lakh during 1986 to 1990 as against Rs.30.93 lakh due for 343 acres. The Board did not also obtain undertaking for payment of enhanced compensation in the event of same becoming payable due to Court orders. When acquisition process was completed (November 1989), owners approached court and obtained decrees for payment of higher compensation for Rs.3.36 crore. The Board disbursed the same. However, SQC took possession (August 1986) of 38 acres of land only and did not come forward to take possession of balance land despite requesting for the same earlier. No reasons were on record for not taking possession of balance of land. Failure of the Board to obtain undertaking for payment of additional compensation facilitated SQC to back out after acquiring the land. When the Board examined possibility of developing the balance land into industrial area, it was opined (January 1998) by technical officer (Development Officer) that it was not industrially/economically feasible. Thus, expenditure of Rs.3.17 crore became unfruitful.

(g) Irregularities in allotment of land

(i) Loss of Rs.12.88 crore and suppression of equity participation with Karnataka Trade Promotion Organisation (KTPO)

Board undervalued cost of land

The Board had entered into a joint venture with India Trade Promotion Organisation (under Ministry of Commerce) under the name of KTPO during December 2000 and handed over 46 acres of land fully developed in Export Promotion Industrial Park area to the joint venture. The cost of the land and 50 per cent of the development cost thereon was the equity share of the Board. The prevailing tentative cost of land in the area was Rs.40 lakh per acre.

However, the Board had valued the land at its acquisition cost (Rs.12 lakh per acre), which resulted in under-valuation and loss of Rs.12.88 crore towards land cost. CEO&EM stated (January 2002) that entire land allotted to KTPO consisted of one plot and was not fully developed. As the plot allotted is within Export Promotion Industrial Park (EPIP) area, which had been fully developed and provided with facilities like water, electricity etc., the reply was not tenable.

(ii) M/s.Kirloskar Systems Limited

Board unjustifiably allotted land at concessional rate

According to the decision of the Board (November 1997), price of one acre of developed land in Bidadi Industrial Area was Rs.35 lakh. M/s. Kirloskar Systems Ltd., requested (April 1998) Board to allot 83 acres of land at Rs.12.50 lakh per acre. The CEO&EM declined as the Board had allotted (January 1998) 15 acres of land at Rs.28 lakh per acre to M/s. Hindustan Cococola, in the same industrial area. However, Principal Secretary to State Government, Commerce and Industries Department and Chairman of the Board decided (April 1998) to allot land at Rs.15 lakh per acre. The Board also ratified (May 1998) this decision and allotted 50 acres of land. CEO&EM stated (May 2002) that M/s.Kirloskar Systems played a major role in collaboration with Toyota Motor Corporation to set up a car project and had requested for allotment of land at the same price at which land was allotted to the car project. Since the joint venture of Toyota and Kirloskar Motors Limited had already adequately benefited when the land to that joint venture was allotted at concessional rate of Rs.6 lakh per acre, further allotment of land at Rs.15 lakh was not justified and resulted in undue favour to M/s.Kirloskar Systems to the extent of Rs.6.50 crore.

Board violated guidelines in allotting land

(iii) GOI guidelines for EPIP, inter alia, prescribed that only those units that would export not less than 25 per cent of the value of total production would be allowed to be established in EPIP. In contravention of the guidelines, Board allotted (January 1997) 20 acres of land to M/s. Chalukya Holiday Resorts Private Limited for setting up a holiday resort which did not export any product. As against Rs.40 lakh per acre charged (from October 1996) from other allottees, M/s. Chalukya Resorts was charged Rs.5.87 lakh per acre. This resulted in a loss of Rs.6.83 crore to the Board and undue benefit to the allottee. The Board had not furnished any reasons for charging a lower rate.

(h) Loss due to non-resumption of plots

Board revised the land price downward after allotment

Every allottee was to set up the unit and invest 50 per cent of the project cost within a period of 4 years. In the event of non-fulfilment of these conditions, the Board was to resume the land and allot it to fresh entrepreneurs or restore it to the original allottee at the prevailing market price.

(i) 11 allottees (7 were allotted 35 acres of land in 1996-97, 2 were allotted 3 acres of land in 1997-98 and two allotted 3 acres of land in 1998-99) of land in Bangalore had not initiated action for setting up the industrial units even as of March 2002. The Board had not taken action to resume or re-allot land at current prices. This resulted in loss of Rs.8.09 crore.

Failure to enforce allotment conditions resulted in loss of Rs.14.06 crore

(ii) In Dharwad district 17 units were allotted land during March 1980 to October 1996 on lease-cum-sale basis. Board executed sale deeds for these units during 2001-02, though they had invested only 4 to 38 per cent of the project cost. Irregular execution of the absolute sale deed and failure to resume the plots from the defaulting allottees or realloting them at the prevailing price deprived the Board of the opportunity of recovering Rs.0.85 crore. Assistant Secretary, Dharwad stated (May 2002) that the absolute sale deeds were executed, despite non-fulfilment of conditions in order to contest a case filed in the High Court by some allottees challenging the fixation of the price. He further stated that the Board would have lost heavily if the sale deed had not been executed. The reply was not tenable as re-fixation of the price of the land was consistent with the stated policy of the Board and the case filed in the Court challenging the policy of the Board cannot be the reason for premature execution of the sale deed.

(iii) The Board had allotted 64 Acres 30 Guntas of land to M/s Indian Aluminium Company in March 1973. As the Unit had not commenced the investment activities till February 1998, the Board issued a resumption notice in December 1999. However, on a request from the Unit, the CEO&EM cancelled the resumption order in February 2000. Action of the CEO& EM was contrary to allotment conditions and resulted in avoidable loss of Rs.5.12 crore.

(i) Growth Centres (GCs)

(i) GOI approved establishment of GCs during December 1988. GOI was to contribute Rs.10.00 crore and State Government was to contribute Rs.5.00 crore for each GCs and balance was to be met from borrowings. Land was to be allotted to small and medium scale industries. The details of GCs taken up by the Board and their status as of March 2002 were as shown below:

(Rupees in crore)

Place of GC	GOI approved project cost	Funds released by GOI	Funds released by GOK	Revised cost approved by State Government	Expenditure	Status
Dharwad	34.51	10.00	5.00	61.29	62.56*	Water supply yet to be provided
Hassan	26.78	10.00	5.00	51.73	75.32	-do-
Raichur	22.89	10.00	5.00	68.67	28.39	-do-

Although GOI approved these GCs in October 1989, Board commenced work only during 1992-93 and incurred expenditure of Rs.45.64 crore as of March 1998 out of its own resources and thereafter from borrowed funds. As against 5 years prescribed by GOI for establishing the GCs, the Board took more than 10 years and still failed to complete the GCs in all respects. While water supply works were not yet completed in Dharwad and Raichur GCs despite expenditure of Rs.30.67 crore¹ on it, the water supply scheme to Hassan GC was not energised despite being completed at a cost of Rs.22.30 crore. Acquisition of more lands for development (as discussed below), execution of

* Payment of land compensation was not fully made

¹ Raichur GC Rs.2.38 crore (deposited with Karnataka Urban Water Supply and Drainage Board) (KUWS&DB), Dharwad GC-Rs.28.29 crore

water supply schemes and improvement to the approach roads to the GC at Hassan which were not considered initially contributed to huge time and cost over-run.

The details of land acquired, developed and allotted in respect of these GCs were as shown below:

Name of GC	Extent of Land (acres)			No. of units to which allotted	No. of units which commenced production	
	Approved by GOI	Acquired	Developed			Allotted
Dharwad	1365	3205	1983	1333	199	88
Hassan	1000	1825	1825	514	77	5
Raichur	1000	1999	430	55	3	Nil

Poor allotment of developed land in Growth Centres

Only 62 per cent and 22 per cent of the land acquired had been developed in GCs at Dharwad and Raichur respectively. In respect of the GC at Raichur, out of 1999.25 acres of land acquired (December 1994 to May 1997), Board transferred (March 1996) 999.25 acres to Karnataka State Industrial Infrastructure Development Corporation (KSIIDC) for development. KSIIDC returned (August 2000) the land to the Board after developing only 430 acres at a cost of Rs.26.01 crore. Board did not develop any area in the GC on its own as of now (except deposit of Rs.2.38 crore to KUWS&DB for water supply). Lack of basic facilities in the GCs evidently contributed to majority of the allottees not establishing the industries.

Regarding the non-allotment of the entire developed land in the GCs, CEO&EM stated (May 2002) that the GCs were located in backward regions where the process of industrialisation was gradual. He further stated that the expected growth of industries did not materialise due to global recession and economic slow-down. The reply was not tenable as no demand survey was conducted either before taking up these GCs for execution or when acquiring land in excess of the limit prescribed by GOI. The cost of undeveloped land and land developed but unallotted was Rs.14.74 crore and Rs.92.39 crore respectively.

(ii) GOI guidelines (December 1988) envisaged contribution in the form of loan (Rs.3 crore) and equity (Rs.2 crore) from financial institutions. Industrial Development Bank of India (IDBI) was the nodal agency. Board did not avail equity contribution from IDBI and loan which carried interest of 11.5 and 13.5 per cent respectively. The Board provided funds to these GCs from 1997-98 onwards out of borrowed funds at 14.5 per cent. This resulted in extra expenditure of Rs.72 lakh on interest from 1998-99 to 2001-02 on Rs.10 crore which was available at concessional rate of interest through IDBI. CEO&EM stated (May 2002) that GOI guidelines could not be considered as directives and implementing agency had the option of availing credit facilities or otherwise. Reply was not tenable as borrowing at higher interest rate resulted in extra interest.

(iii) GOI guidelines prescribed that developed land in Growth Centres were to be allotted primarily to small and medium size industries. The Board allotted (December 1996) 688 acres of land (650 acres handed over) in Dharwad GC to a large industry viz. Tata Engineering and Locomotive

Company Limited (TELCO) at the prevailing rate of Rs.4.50 lakh per acre. After obtaining approval of the Chairman, CEO&EM informed (January 1997) TELCO that the price of the land was revised to Rs.1.33 lakh per acre in partial modification of the allotment order. CEO&EM did not furnish reasons for downward revision of the price of the land. CEO&EM, however, justified (May 2002) the allotment of land on the ground that with the support of major industries, there was scope for growth of ancillary units. The reply was not tenable, as guidelines were violated and allotment of land to TELCO had not brought any significant number of small scale industrial units. Thus unjustified downward revision of the price of the land extended undue benefit of Rs.20.60 crore to TELCO.

(j) Idle investment on infrastructure

Huge idle investment on infrastructure

Board took up construction of truck terminals, multi-storeyed commercial complexes and other buildings in various industrial areas without assessing the demand. As a result, most of these buildings remained vacant and the Board did not succeed in disposing of these buildings by outright sale. CEO&EM observed (October 2000) that the investment on these buildings was made without application of mind and examination of the prudence of investment. The status of such buildings is given below:

(Rupees in crore)

Sl No	Details of infrastructure	Period of commencement	Period of completion	Expenditure as of March 2002	Present status
1.	Multi-storeyed industrial complex in Peenya Industrial Area in Bangalore	December 1997	March 2002	19.84	CEO&EM did not invite applications for allotment of flats despite Board's decision (September 1998).
2.	Construction of multi-storeyed building at Church Street, Bangalore	July 1997	Not completed	3.71	Work scheduled for completion by January 1999 was not completed; Board stopped the work and tried to sell the property.
3.	Housing tenements in eight* industrial areas	NA	1989-2000	5.32	Out of 1088 tenements constructed, 292 remained vacant for two to 13 years
4.	Truck terminal in Autonagar Industrial Area at Kanabargi in Belgaum district	February to May 1997	July 1999	0.93	The terminal which was expected to yield a return of Rs.10 lakh per year had not been put to use.
5.	Civic amenity building in Kanabargi in Belgaum district	April 1997	Not completed	0.82	Work which was started in April 1997 was not completed. Board tried to sell the property. The offer of Rs.75 lakh received in response to the tender notification (April 2002) was not accepted by the Board.

* Attibele, Bommasandra, Baikampadi, Doddaballapura, Hebbal, Hoskote, Jigani and Peenya

Sl No	Details of infrastructure	Period of commencement	Period of completion	Expenditure as of March 2002	Present status
6.	Civic amenity building at Belur Industrial Area	January 2000	March 2000	0.62	Building remained vacant since completion.
7.	Pumphouse-cum-watchman quarters at five industrial areas	NA	1994-1999	0.30	Quarters not allotted since completion.
8.	Transit shed for electronic city at Hebbal Industrial Area, Mysore	January 1993	September 1994	0.28	Building remained unallotted since completion.
9.	Multi-storeyed commercial complex in Naubad Housing Area	June 1997	Not completed	0.26	The work commenced in June 1997 and not completed yet. Board's efforts to sell the property in its present condition did not succeed.
10.	Complexes at Kunigal, Tarihal and Honaga Industrial Areas	February 1994, August 1992 and September 1994	February 1994 to March 2000	0.23	These buildings remained vacant since completion.
			Total	32.31	

Besides, test-check in five zonal offices of the Board revealed that out of 432 borewells drilled in 34 industrial areas, 117 costing Rs.35.10 lakh were not energised for 1 to more than 5 years. The DOs of the zonal offices stated that non-energisation of borewells was due to lack of demand for water from the industries. Thus, the drilling of borewells was not justified and resulted in unnecessary idle investment of Rs.35.10 lakh on borewells not energised.

(k) Other topics of interest

(i) The Board maintained street lights, roads, avenue plants etc., in the industrial areas. The maintenance charges collected and expenditure thereon from 1997-2001 are as follows:

(Rupees. in crore)			
Year	Expenditure on maintenance	Maintenance charges collected	Shortage
1997-98	1.47	0.03	1.44
1998-99	1.59	0.07	1.52
1999-2000	2.21	0.41	1.80
2000-01	5.47	0.40	5.07
Total	10.74	0.91	9.83

To augment the resources, a policy decision was taken (September 1997) by the Board to collect maintenance charges (at different rates ranging from Rs.800 to Rs.1500 per acre and revised to Rs.1500 to Rs.2000 from 1 April 2001) from the allottees. It was also decided to restrict the maintenance

⌘ Electricity Rs.7.80 crore, Roads Rs.2.87 crore, Avenue Plants Rs.0.07 crore

expenditure of each industrial area to the actual collection of maintenance charges recoverable at prescribed rates so as to ensure that each industrial area was self-supporting. However, the Board collected Rs.0.91 crore as against maintenance expenditure of Rs.10.74 crore during 1997-2001 resulting in an extra expenditure of Rs.9.83 crore. Thus, the finances of the Board were strained.

Lease rent at less than the prescribed scale, recovered

(ii) As per the conditions for allotment of land to SUCs, each SUC was to pay lease rent of Rs.1000 per acre per year to the Board. In respect of 2 SUCs, the zonal office was recovering lease rent at the rate of Rs.100 per year irrespective of the land allotted. The short recovery in these two cases aggregated Rs.37.05 lakh. Assistant Secretary of the Board stated (April 2002) that CEO & EM had approved the recovery at the rate of Rs.100 per year. The reply was not tenable as CEO & EM was not competent to reduce the lease rent without approval of the Board.

Idle investment on a huge water supply scheme

(iii) Board completed (September 1997) a comprehensive water supply scheme for Kolhar Industrial Area at a cost of Rs.7.98 crore. The scheme was designed to supply one million gallons per day (MGD) of water to the industrial units. The scheme was not put to optimum use for over 57 months and was not used at all since September 2000 on account of closure of majority of the industries. Even while the scheme was functional, the total quantity of water supplied to the industries was only 5.92 million gallons against installed capacity of 1710 million gallons¹. In addition to the capital cost of Rs.7.98 crore, the Board had spent Rs.41.62 lakh on maintenance of scheme including Rs.13.70 lakh on monthly minimum demand charges for electricity supplied for the scheme. Thus, the expenditure of Rs.8.40 crore was incurred on the water supply scheme, which remained mostly idle.

Pipes worth Rs.79 lakh remained unutilised

(iv) The Board procured 17000 meters of 450 mm dia pipes at a cost of Rs.5.87 crore for water supply scheme at Bidadi from M/s.Electro Steel Castings Limited during 1997-98. The purchase orders were placed with the firm (January 1998) before the approval of alignment of pipeline (February 1998) and the estimate of the water supply scheme and commencement of work (April 1998). As against 17000 meters of pipes provided in the estimate, only 14708 meters of pipes were used and work completed (February 1999). Evidently, length of pipe line provided in the estimate was faulty. The procurement of excess pipes (2292 meters) resulted in avoidable extra expenditure of Rs.79 lakh. The pipes were still lying unutilised.

(v) The Board had lifted 14.37 lakh Kilo Litres (KL) of water from BWSSB's source, and supplied 11.56 lakh KL to two units in Bidadi Industrial Area. After considering 11465 KL of water in the pipes and the Ground Level Service Reservoir (as per the Board's own calculations), there was unaccounted water to the extent of 2.69 lakh KL (19 per cent) valuing Rs.1.61 crore. Though the Board had paid to BWSSB for 14.37 lakh KL at Rs. 60 per KL, it could recover the cost of 11.56 lakh KL of water consumed by the units. The Board had not taken action to investigate the reasons for such loss of water.

¹ From 1.10.1997 to 30.6.2002 at 1 MGD per day

**FOREST, ENVIRONMENT AND ECOLOGY
DEPARTMENT**

6.3 Prolonged stoppage of work of an office building despite huge investment

The Karnataka State Pollution Control Board entrusted construction of building to a company without obtaining sanction for change in the land use pattern and building plan resulting in stoppage of work for over five years and unfruitful investment of Rs.1.61 crore besides undue benefit of Rs.33.94 lakh to the company

State Government allotted (September 1992) four acres of land to Karnataka State Pollution Control Board (Board) for construction of office building and laboratory. The Board took possession of the land in October 1993. This plot of land was reserved for public park in comprehensive development plan prepared by Bangalore Development Authority (BDA) and approved by State Government (Urban Development Department) in January 1995. However, Board entrusted (April 1997) the construction of building at Rs.7.46 crore without obtaining sanction from BDA/State Government for change in land use pattern and building plan from Bangalore Mahanagara Palike (BMP). The Board also engaged (July 1997) another agency^{**} for driving insitu piles for the foundation at a cost of Rs.2.35 crore.

After spending Rs.1.25 crore (including mobilisation advance of Rs.68.10 lakh against bank guarantees valid upto March 1998), the work was stopped (September 1997) due to (i) the objections raised (July 1997) by BMP for unauthorised construction of the building without approval of the plan and (ii) stay granted (September 1997) by the High Court on a writ petition filed by a Bangalore resident challenging the allotment of land. When the Board approached (July 1997) BMP for according sanction to the building plan, the latter observed that the plan can be sanctioned after permission for change in land use pattern was granted. In February 1998 State Government permitted change in land use pattern. High Court disposed off the writ petition in February 2001 and ordered that Board should set apart 2 acres of land for public park. State Government also modified (May 2001) their order issued in September 1992 and directed the Board to use 2 acres of land for building purpose. Even after High Court order and State Government permission, BMP had not sanctioned the building plan. Therefore, the work had not been resumed (June 2002).

Failure of the Board to obtain sanction for change in the land use pattern and building plan resulted in stoppage of work for over 5 years and unfruitful investment of Rs.1.61 crore including Rs.36 lakh paid for land use conversion charges. Besides, the bank guarantee for mobilisation advance has not been revalidated and the construction company has had undue benefit of Rs.33.94

^{**} M/s. Vijay Nirman Company

lakh^Φ by way of interest on the mobilisation advance. The Board would have to bear extra financial burden on construction due to revised rates to which the company would be entitled as per terms and conditions of contract. State Government endorsed (June 2002) the reply of the Member Secretary who stated that Board had applied to BMP for sanction to building plan in August 1997 and pursued the matter with BMP through several letters during the year 2001. The reply was not appropriate as Pollution Control Board which is the regulatory authority to ensure environmental protection had attempted to usurp a public park which is an environmental asset and attempted to commence construction without obtaining permission for change in land use and without sanction for building plan.

URBAN DEVELOPMENT DEPARTMENT

6.4 Idle investment of borrowed funds on incomplete project

Bangalore Development Authority commenced work on the relocation of the existing Iron and Steel Market from Bangalore City to a new layout without ascertaining the willingness of traders to shift. This resulted in abandonment of work mid way after incurring an expenditure of Rs.20.84 crore

A project (project) for relocation of "Steel Wholesale Market" to a new layout at Kondadasapura from existing City Market area was approved (May 1995) by Megacity Project Sanctioning Committee at an estimated cost of Rs.40.30 crore. Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) and Housing and Urban Development Corporation (HUDCO) were to provide loan of Rs.10 crore and Rs.5 crore respectively for the project and balance of Rs.25.30 crore was to be provided by Bangalore Development Authority (BDA).

Prior to sanction of the project, Bangalore Metropolitan Region Development Authority, which was nodal agency for implementation of Megacity projects, appointed M/s.Kirloskar Consultants, Chennai (Consultant) to conduct feasibility study. The consultant's report (December 1994) indicated easy accessibility of the proposed new market area as 35 per cent of the entire quantity of Iron and Steel passed through Old Madras Road. The consultant conducted shop to shop survey covering 225 (14 percent) out of 1600 wholesale dealers (800 registered with Bangalore Iron, Steel and Hardware Merchants Association -BISHMA, and 800 unregistered) besides roadside surveys, and collected information from various agencies like BISHMA, Railways, Bangalore Water Supply and Sewerage Board on Steel and Iron trade and their characteristics. Based on such survey, consultant reported that there was general consensus among traders to shift their business premises to Kondadasapura and suggested formulation of an Act to regulate entry of specified commodities into the city. BDA did not follow necessary process of calling for applications through notification before initiating (December 1996)

^Φ Calculated at 10.5 per cent on amount remaining with the company

land acquisition proceedings. Despite conducting a series of meetings since inception of the project with BISHMA, who demanded waiver of Octroi/Entry tax, and reducing the cost of site, BDA could not obtain any commitment from BISHMA for purchase of site by its members. Commissioner (BDA) contended that there was no real need for any agreement or obtaining specific commitment as general consensus for shifting was already known. The contention was not tenable as the project was intended solely for shifting of wholesale Iron and Steel Market and therefore commitment from wholesalers was necessary. BDA on its own issued a notification (March 1998) inviting applications for allotment of sites and out of 1600 dealers, 100 purchased the forms and only 40 applied for allotment as of June 1998 and another 74 as of August 1998. Despite this, BDA awarded (June 1998) civil works at a cost of Rs.13.49 crore for formation of 747 commercial (reduced to 571) and 433 residential sites and the contractor commenced the work in February 1999. In respect of second notification (June 1999) also, response was poor as only 60 more applications were received between June 1999 and March 2000.

Government refused (November 1999) enactment of a legislation compelling the dealers to relocate to the new site. The work was stopped by BDA after the execution of works (December 2000) valuing Rs.6.60 crore. The BDA had incurred an expenditure of Rs.20.84 crore (Rs.6.60 crore on incomplete civil works, Rs.4.28 crore interest to HUDCO and KUIDFC upto March 2002, Rs.9.96 crore on land acquisition) and its efforts (November 2000) for allotment of plots to software park/commercial/ residential use also were not successful.

Thus, taking up of the relocation project without ensuring the willingness of the wholesale dealers resulted in unfruitful expenditure of Rs.20.84 crore.

6.5 Acceptance of substandard supplies

Despite adverse test certificates, Chairman of Bangalore Water Supply and Sewerage Board authorised the use of sub-standard water meters acquired at a cost of Rs.2.36 crore

Based on the approval of the Bangalore Water Supply and Sewerage Board (Board), Executive Engineer, Central Stores Division, Bangalore (EE) entered (January 1998) into an agreement with a company* for supply of 50000 water meters (meters) of 15 mm diameter at the rate of Rs.472.16 per meter. Board's approval of the meter of the company was based on satisfactory test results conducted at Fluid Control Research Institute (FCRI), Palghat, Kerala. According to the specifications of Bureau of Indian Standards (BIS), sample

* Schlumberger Industries (India), Limited, New Delhi

of 1730 meters[♥] were required to be tested for quality as per IS 779:1994 and IS 6784:1996 and if the meters failed to pass the prescribed tests^{*}, the entire consignment was to be rejected. The Company was to receive 75 per cent of cost of supplies against delivery and the balance after satisfactory test certificates from FCRI.

The Company supplied (April 1998 to August 1999) 50000 meters in 19 consignments at a total cost of Rs.2.36 crore. Scrutiny of records revealed following lapses/irregularities:

(i) As against sample of 1730 meters required to be tested, only 500 meters (i.e. 1 per cent of each consignment) were got tested (October 1998 to September 1999) through FCRI, Palghat due to defective agreement with the company. Thus, number of meters tested was grossly inadequate and violated BIS norms.

(ii) Though 85 meters failed in meter accuracy test out of 500 meters tested, and failure occurred in all consignments, Board did not reject meters and released (February 2000) the balance payment of 25 per cent and thus violated the agreement also.

Chairman stated (June 2002 and July 2002) that error in meter accuracy test under one of six flow rates was marginally higher than permissible limits and it cannot be construed as failure, warranting rejection of meters. The contention was not tenable for the following reasons:

(a) Grossly inadequate sample size for testing could not have given reliable data and thus gave unfair advantage to the company.

(b) 32 meters^{*} failed in meter accuracy test at two or more flow rates while 53 meters in single flow rate out of six flow rates.

(c) The percentage of error in all cases was not marginal as it ranged from 2.30 to 2.99 in 31 meters and 3.00 to 5.47 in 32 meters, while in respect of balance 21 meters it was 2.03 to 2.39 as against maximum permissible error of plus or minus 2. There was no provision in BIS to declare a meter as having passed accuracy test on the ground that the error was marginally higher than the maximum permissible limit.

♥

Number of consignments	Number of meters in each consignment	Number of meters to be tested in each consignment as per BIS	Total number of meters to be tested
16	2000 to 3000	80	1280
1	4000	130	130
1	5500	160	160
1	4500	160	160
			1730

* Pressure tightness, minimum starting flow, pressure loss, metering accuracy, meter seal and inlet filter

* Two flow rates-16 meters, Three flow rates-10 meters, Four flow rates-4 meters, one each at four and six flow rates

By accepting defective meters, Board disregarded quality control measures and this was also detrimental to its own finances and consumer interest as consumer would be required to pay for water not consumed depending upon whether the meters recorded lower or higher volume than actual quantity of water.

The matter was referred to Government in February 2002; reply had not been received (November 2002).

6.6 Investment on digital maps remaining largely unproductive

Expenditure of Rs.58.20 lakh incurred on maps supplied by NRSA remained unproductive as updating the maps through a ground survey was yet to be taken up

Bangalore Water Supply and Sewerage Board (BWSSB) and Bangalore Development Authority (BDA) jointly arranged (March 1998) for aerial photography of the Bangalore metropolitan area through National Remote Sensing Agency (NRSA), Department of Space, Government of India at a cost of Rs.39.37 lakh. Later, as it was considered that conversion of these aerial photographs into digital maps would be of great value to all the agencies involved in infrastructure, taxation, provision of services and planning of Bangalore City, State Government nominated (December 1998) BDA as the nodal agency for getting the work done through NRSA at negotiated rates aggregating Rs.5.82 crore which included Rs.39.37 lakh for aerial photography already agreed upon. NRSA was to give priority to the maps required by BWSSB for Cauvery Stage IV works. BDA was to make payments to NRSA from out of funds contributed by various beneficiary agencies⁺ in the agreed proportion[♦].

BDA entered (March 1999) into a Memorandum of Understanding (MOU) with NRSA with stipulated date of completion as March 2001. An amount of Rs.58.20 lakh was paid to NRSA as of March 1999.

However, as of April 2002, NRSA delivered proof plots for 1220 sq kms out of the total area of 1424 sq kms. The Town Planning Consultant (TPC) of BDA observed during March 2000, that NRSA's capacity to do the assigned job with only two stereo plotters was limited and maps were incomplete and there were no contours. TPC also observed that the aerial photographs taken by NRSA during March 1998 had already become obsolete.

The Principal Secretary to State Government, Urban Development Department endorsed (May 2002) the replies of Commissioner, BDA who stated that

⁺ BWSSB, BDA, Bangalore City Corporation, City Municipal Councils, Karnataka Electricity Board, Department of Telephones and Bangalore Metropolitan Transport Corporation

[♦] i) BWSSB, BDA, Bangalore City Corporation, Karnataka Electricity Board, Bangalore Telephones at 16 per cent each
ii) 7 City Municipal Councils and one Town Municipal Council at 2 per cent each
iii) Bangalore Metropolitan Transport Corporation at 4 per cent

NRSA had delivered aerial photographs and digital data in batches commencing from February 2000 and as of April 2002 proof plots for 1220 sq kms had been delivered. He further contended that maps/data were used by BWSSB for Cauvery Water Supply Scheme, Stage-IV and Geographic Information System (GIS). These replies were not true, as maps/data supplied by NRSA could not have been used by BWSSB as mapping/designs/drawings were finalised in December 1998 itself much before delivery of digital maps/data received from NRSA. In respect of GIS, the consultant to BWSSB observed that the maps did not meet the basic requirements and contained errors (in 43 out of 62 maps) in regard to names of localities, road texts, buildings, etc. The Commissioner, BDA contended that the aerial survey of March 1998 based on which NRSA prepared the maps would not become obsolete as it would be updated through ground survey. The contention was not tenable as no ground survey was taken up by BDA as of now and as a result, the maps supplied by NRSA had no utility.

Thus, the expenditure of Rs.58.20 lakh on the mapping project remained unproductive.

6.7 Collapse of vented dam due to defective work

A vented dam constructed across Nethravathi river for the water supply scheme to Dharmasthala town collapsed due to defective execution of work by the contractor.

Remodelling of Water Supply Scheme to Dharmasthala town, approved by Government in March 1998 at a cost of Rs.2.08 crore, consisted of construction of a vented dam across Nethravathi river, Jackwell-cum-pump house, water treatment plant and distribution system. Karnataka Urban Water Supply and Drainage Board (Board), Bangalore awarded (June 1999) the construction of vented dam and jackwell-cum-pump house, to a contractor at a cost of Rs.1.05 crore. The contractor completed the structural work by April 2001 at a total cost of Rs.1.15 crore.

For storing water for the summer season, the gates of the vented dam were closed in January 2002 and water was let in. Thereupon the left bank side vent portion of the dam collapsed for a length of 33 metres during the defect liability period of the contract. Chief Engineer of the Board who inspected (March 2002) the work, attributed the collapse of the vented dam to foundation being actually laid on sandy bed while as per the design and sanctioned estimate, the foundation was to be laid on rock after removing sand and soil.

As the contractor expressed (February 2002) his inability to take up the rectification work, the Board awarded (March 2002) the restoration work to another agency at a cost of Rs.74.68 lakh at the risk and cost of the first contractor. The second agency completed the work by June 2002 at a cost of Rs.80.70 lakh. As against the restoration cost of Rs.80.70 lakh, only Rs.54.19

lakh being the value of the work done by the first contractor but not paid for and his security deposit was available with the Board for adjustment, leaving a balance of Rs.26.51 lakh unadjusted.

Thus, laying of foundation on sandy bed instead of on rock, in violation of the tender specification, and failure of Assistant Engineer (AE) and Executive Engineer (EE) of the Division to notice this defect earlier at the stage of recording/checking of work measurement resulted in collapse of the vented dam and necessitated restoration work at extra cost.

Government merely stated (July 2002) that all out efforts would be made to recover the extra cost from the first contractor; nothing was stated with regard to taking action against concerned AE and EE for their faulty supervision of work.

6.8 Laying of defective pipes

Failure of board to ensure supply of quality pipes with hydraulic tests resulted in loss of Rs.63.26 lakh besides a cost overrun of Rs.1.89 crore and delay of 7 years.

Based on the approval of the Karnataka Urban Water Supply and Drainage Board (Board), Executive Engineer, Board Division, Gadag (EE) entered (July 1992) into an agreement with Company A^Φ(Company) for providing and laying 600 mm dia pre-stressed concrete (PSC) raw water rising main pipeline from headworks at Mudenur to intermediate pumping station (IPS) at Magod for a length of 11.20 km (First Reach) and from IPS to Treatment Plant at Ranebennur for a length of 8.34 km (Second Reach) at a cost of Rs.1.30 crore. The work was to be completed by November 1995. Between August 1993 and December 1995, the Company A stacked pipes for a length of 9.72 kms for the first reach along the work alignment and laid pipes for a length of 5.50 kms. Though the Company was to conduct field tests for hydraulic strength of pipeline for every reach of 1 km, such tests were not at all conducted. However, the contractor was paid Rs.58.15 lakh comprising Rs.37.37 lakh towards full payment in respect of laid pipes for a length of 5.50 kms and Rs.20.78 lakh towards 75 per cent cost of unlaied pipes for a length of 4.42 kms. The Board did not withhold 10 per cent of the cost of the pipes for not conducting hydraulic test etc., and thus favoured the Company. The Company stopped the work in December 1995 and did not resume the same inspite of several notices. The contract in first reach was rescinded (January 2000) at the risk and cost of Company after a delay of 4 years and it was entrusted (June 2000) and got executed (January 2002) including replacement of already laid/unlaied pipes with new ones through another contractor B[⊗] at a total cost of Rs.2.64 crore.

^Φ Pragathi Concrete Products Limited, Davanagere

[⊗] Karnataka Cement Pipe Factory, Hubli

The EE stated (August 2002) that the un-laid pipes of 4.42 kms could not be utilised as they were damaged due to stacking along the work site for over 5 years. Pipes already laid for length of 5.5 kms were also discarded after their removal, as factory test conducted (September 2000) on samples of such removed pipes showed that these laid pipes were totally defective and did not pass required hydraulic tests.

In all, the wasteful expenditure was Rs.63.26 lakh (Rs.58.15 lakh paid to company + Rs.5.11 lakh spent by Board on removal of pipes over 5.5 km length) besides extra expenditure of Rs.1.89[♦] crore and delay of seven years in completion of work.

The matter was referred to Government in October 2002; reply had not been received.

GENERAL

6.9 Grants

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/authorities by and large receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State and Co-operative Societies Act, Companies Act, 1956 etc., to implement certain programmes of the State Government. The grants are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

During 2001-2002, financial assistance of Rs.3047.19 crore was given to various autonomous bodies and others broadly grouped as under:

Sl. No.	Institutions	Amount of assistance given (Rupees in crore)
1.	Educational Institutions (including Universities)	500.75
2.	Hospitals and other Charitable Institutions	79.09
3.	Co-operative Societies and Co-operative Institutions	3.34
4.	Karnataka Power Transmission Corporation Limited/Housing Boards/Corporations and other Scientific Institutions	2464.01
	Total	3047.19

♦	Total tendered rate for 19.54 km by company A	Rs.130.13 lakh
	Proportionate cost of 11.20 km	Rs. 74.58 lakh
	Amount paid to company B for 11.20 km	Rs. <u>263.66 lakh</u>
	Extra Expenditure	Rs. <u>189.08 lakh</u>

In order to identify the institutions which attract audit under Section 14/15 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions. Detailed accounts from the grantee institutions were awaited (September 2002) as indicated below:

Department-wise details are as under:

Sl. No.	Name of the Department	Years for which accounts had not been furnished	Number of accounts due
1.	Animal Husbandry and Veterinary Services	2000-2001 & 2001-2002	3
2.	Co-operation	1980-81 to 1985-86 and 1993-94 to 2001-2002	169
3.	Commerce and Industries	1980-81 to 1985-86 and 1992-93 to 2001-2002	147
4.	Education	1992-93 to 2001-2002	194
5.	Forest, Environment and Ecology	1998-99 to 2001-2002	4
6.	Health & Family Welfare Services	1998-99 to 2001-2002	19
7.	Information, Tourism and Youth Services	1988-89, 1989-90 and 1991-92 to 2001-2002	33
8.	Labour	1999-2000 to 2001-2002	3
9.	Law and Parliamentary Affairs	2001-2002	1
10.	Planning	2000-2001 and 2001-2002	5
11.	Public works and CADA	1999-2000 to 2001-2002	10
12.	Revenue	2001-2002	1
13.	Rural Development and Panchayat Raj	1999-2000 to 2001-2002	3
14.	Science and Technology (State)	2000-2001 and 2001-2002	3
15.	Social Welfare	1998-99 to 2001-2002	8
16.	Urban Development	1994-95 to 2001-2002	42
17.	Youth Services and Sports	1999-2000 to 2001-2002	5
	TOTAL		650

Year-wise breakup is indicated below:

Year	Number of bodies/authorities which had received substantial grants/ loans of not less than Rs.25 lakh (Rs.5 lakh prior to 1983-84)	Number of bodies/authorities from which accounts were yet to be received
Upto 1992-93	945	57
1993-94	107	25
1994-95	127	35
1995-96	139	35
1996-97	148	36
1997-98	156	39
1998-99	205	51
1999-2000	208	71
2000-01	214	109
2001-02	224	192
Total	2473	650

The audit of accounts of the following bodies and authorities was entrusted by the Government to the Comptroller and Auditor General under Sections 19(2), 19(3) and 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act of 1971. The position (September 2002) of entrustment vis-a-vis accounts received, audited and audit reports issued is as follows:

Sl.No	Name of the Body	Section under DPC Act	Period of entrustment	Date of entrustment	Years for which accounts due	Year upto which accounts received	Year upto which Audit Report issued
1.	Bangalore Water Supply and Sewerage Board, Bangalore	19(3)	1999-2000 to 2003-2004	28.12.2001	2001-2002	2001-2002	2000-2001
2.	Karnataka Slum Clearance Board, Bangalore	19(3)	1997-98 to 2001-2002	01.02.2000	2001-2002	2000-2001	2000-2001
3.	Karnataka State Khadi and Village Industries Board, Bangalore	19 (3)	1997-98 to 2001-2002	06.08.1998	2001-2002	2000-2001	1999-2000
4.	Bangalore Development Authority, Bangalore	19(3)	1998-99 to 2002-2003	18.5.1999	2001-2002	2001-2002	2000-2001
5.	Karnataka Industrial Areas Development Board, Bangalore	19(3)	2000-2001 to 2002-2003	03.02.2001	2001-2002	2000-2001	1999-2000
6.	Chamarajendra Zoological Gardens, Mysore (Triannual Audit)	20(1)	1999-2000 to 2004-2005	7.5.2000	2001-2002	2000-2001	2000-2001

6.10 Utilisation Certificates

According to financial rules of Government, the departments sanctioning grants for specific purposes are required to certify the proper utilisation of grants and furnish the certificates to Accountant General (Accounts and Entitlement) within 18 months of the sanction of the grants.

As on 1 October 2002, utilisation certificates in respect of grants aggregating Rs.369.27 crore paid up to 31 March 2001 by 13 departments had not been received by Accountant General (Accounts and Entitlement) as detailed in Appendix 6.2. It is evident that the departments were not monitoring the utilisation of grants effectively.

Of the above, utilisation certificates for amounts in excess of Rupees one crore and above in each case were due from the following departments:

(Amount: Rupees in crore)

Sl. No.	Department	Years	No. of items	Amount for which Utilisation Certificates outstanding as on 1 October 2002
1.	Information, Tourism and Youth Services	1989-90, 1990-91 and 1996-97 to 1998-99	34	38.39
2.	Kannada and Culture	1986-87 to 1988-89, 1990-91, 1991-92, 1993-94, 1999-2000 and 2000-01	139	4.75
3.	Health and Family Welfare	1999-2000 and 2000-01	43	14.92
4.	Urban Development	1993-94, 1994-95, 1997-98, 1998-99 and 1999-2000	41	21.86
5.	Co-operation	1986-87, 1988-89, 1989-90, 1997-98 and 1998-99	45	89.48
6.	Commerce and Industries	1989-90, 1990-91 and 1992-93 to 1994-95	271	17.00
7.	Planning	1990-91 to 1994-95	145	52.34
8.	Rural Development and Panchayat Raj	1988-89 to 1994-95, 1999-2000 and 2000-01	196	123.79
9.	Science and Technology	1986-87, 1990-91, 1993-94, 1994-95, 1996-97 to 1999-2000	120	5.81
	Total			368.34

