Report of the
Comptroller and Auditor General of India
on
General and Social Sector

Government of Karnataka
Report No.2 of the year 2013

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PREFACE

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

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

3. Chapter-2 deals with the findings of performance audit while Chapter-3 covers audit of transactions in various departments, Autonomous Bodies, *etc.,* Chapter-4 comments on functioning of Government Department.

4. The Report covers significant matters arising out of the compliance and performance audits of General and Social Sector Departments including Autonomous Bodies. The Reports containing points arising from audit of the financial transactions relating to Economic Sector Departments, Panchayat Raj Institutions and Urban Local Bodies, Statutory Corporations & Government Companies and Revenue Receipts are presented separately.

5. The cases mentioned in the Report are among those which came to notice in the course of test-audit of accounts during the year 2011-12 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the periods subsequent to 2011-12 have also been included, wherever necessary.

CHAPTER-1
INTRODUCTION

Chapter-1
Introduction

1.1 About this Report

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

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

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

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

1.2 Auditee Profile

The Principal Accountant General (General & Social Sector Audit), Bangalore conducts audit of the expenditure under the General and Social Services incurred by 72 departments in the State at the Secretariat level and 11 autonomous bodies. The departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/ Commissioners and subordinate officers under them.

The summary of fiscal transactions during the year 2010-11 and 2011-12 is given in **Table-1** below.

Table-1: Summary of fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2010-11	2011-12		2010-11	2011-12		
Section-A: Revenue				Total	Non Plan	Plan	Total
Revenue receipts	**58,206.22**	**69,806.27****	**Revenue expenditure**	**54,033.84**	**46,548.33**	**18,566.74**	**65,115.07**
Tax revenue	38,473.12	46,475.96	General services	14,055.09	16,292.44	153.04	16,445.48
Non-tax revenue	3,358.28	4,086.86	Social services	22,107.82	14,111.26	11,060.47	25,171.73
Share of union taxes/ duties	9,506.31	11,075.04	Economic services	14,892.44	13,374.74	5,779.16	19,153.90
Grants-in-aid & contributions from GOI	6,868.51	8,168.41	Grants-in-aid and contributions	2,978.49	2,769.89	1,574.07	4,343.96
Section-B: Capital and others							
Misc. Capital receipts	**71.81**	**89.19**	**Capital outlay**	**13,355.17**	**583.88**	**14,921.77**	**15,505.65**
			General services	465.46	24.62	600.87	625.49
			Social services	2,616.70	25.91	2,669.28	2,695.19
			Economic services	10,273.01	533.35	11,651.62	12,184.97
Recoveries of loans and advances	**161.37**	**240.40**	**Loans and advances disbursed**	**1,737.93**	**84.74**	**1,730.81**	**1,815.55**
Public debt receipts*	**6,713.74**	**9,357.95**	**Repayment of public debt***	**2,807.13**	**3,319.88**	**----**	**3,319.88**
Contingency Fund	-	**12.53**	**Contingency Fund**	**12.53**	**0.51**	**-----**	**0.51**
Public Account receipts	**80,313.64**	**94,408.53**	**Public Account disbursements**	**75,626.38**			**86,216.03**
Opening cash balance	**9,773.51**	**7,667.31**	**Closing cash balance**	**7,667.31**			**9,609.49**
Total	**1,55,240.29**	**1,81,582.18**	**Total**	**1,55,240.29**			**1,81,582.18**

(Source**:** Finance Accounts)

* Excluding net transactions under ways and means advances and overdraft.

** Includes ₹ 170.14 crore (treated as non-tax revenue) being the outstanding central loans under Central Plan Schemes and Centrally Sponsored Schemes advanced to State Government by the Ministries other than Ministry of Finance, written off as per the recommendation of the Thirteenth Finance Commission.

1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of the Departments of Government of Karnataka under Section 13[1] of the C&AG's (DPC) Act. C&AG is the sole auditor in respect of 11 autonomous bodies which are audited under Sections 19(2)[2] and 19(3)[3] of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of 298 other autonomous bodies, under Section 14[4] of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for

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

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

[3] Audit of accounts of Corporations established by law made by the State Legislature on the request of the Governor.

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

various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Organisational structure of the Office of the Principal Accountant General (G&SSA) Bangalore

Under the directions of the C&AG, the Office of the Principal Accountant General (General & Social Sector Audit) Bangalore conducts audit of Government Departments/ Offices/Autonomous Bodies/Institutions under the General and Social Sector which are spread all over the State. The Principal Accountant General (General & Social Sector Audit) is assisted by three Group Officers.

1.5 Planning and conduct of Audit

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

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

During 2011-12, in the General & Social Sector Audit Wing, 6648 party-days were used to carry out audit of 382 units and to conduct three performance audits. The audit plan covered those units/entities which were vulnerable to significant risk as per our assessment.

1.6 Significant audit observations

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

1.6.1 Performance audits of programmes/activities/departments

The present report contains, two performance audits, two thematic paragraphs and functioning of the Department of Fisheries. The highlights are given in the following paragraphs.

1.6.1.1 Procurement and distribution of drugs and chemicals

The Karnataka State Drugs Logistics and Warehousing Society (Society) had been established during the year 2003 with the main objective of establishing an efficient, cost effective and decentralized Drug Logistics and Warehousing System in the State adhering to modern warehousing practice and rigid quality control practices and providing information technology enabled services. The Society had been procuring drugs, chemicals and miscellaneous items for use in the health institutions in the State. A performance audit of the procurement and distribution of drugs by the Society during 2007-12 showed the following:

- The tender evaluation by the Society was flawed in many cases as many non-responsive tenders had been considered responsive and drugs had been procured from these non-responsive sources during 2010-11.
- Drugs procurement lacked planning, resulting in chronic delay in finalizing the rate contracts for supply of drugs. While the rate contracts for 2008-09 had been finalized only in March 2009, those for 2009-10 had been awarded only in October 2010. This resulted in non-availability of sources for procurement of drugs during the period March 2010 to October 2010.
- The cost of drugs procured directly from the Karnataka Antibiotics and Pharmaceuticals Limited (KAPL) during 2008-12 against exemptions granted by the Government under the Karnataka Transparency in Public Procurement Act aggregated 31 to 67 *per cent*. The exemption lacked justification as the rates charged by KAPL had been far higher than those at which other State Governments had been purchasing these antibiotics during the corresponding period. During 2008-12, out of ₹ 111.14 crore paid to KAPL for purchase of 17 to 42 drugs, ₹ 55.44 crore (50 *per cent*) represented the higher cost paid when compared to the rates paid by other State Governments.
- Procurement of drugs, especially IV fluids, had not been based on estimates of actual need and drugs had been procured far in excess of requirement, creating storage problems in the warehouses and health institutions. These excessively procured drugs had been stored in garages, toilets, corridors etc in health institutions. Further, 7223 drugs costing ₹ 15.82 crore had been procured with shelf life of less than 80 per cent and 1024 of these had shelf life of less than 50 per cent. Another 87 drugs costing ₹ 35.30 lakh had shelf life of less than 90 days.
- The quality assurance system was not effective as no quality testing of drugs had been done for 14 months from September 2009 to November 2010. No testing laboratory had been appointed since December 2010 for 48 drugs procured. Though the cost of drugs not conforming to quality supplied during 2010-12 aggregated ₹ 1.03 crore, no action had been taken to get these drugs replaced or recover the cost thereof from the suppliers. Further, the warehouses had mixed up the drugs not conforming to quality and time-barred drugs with those meant for distribution to health institutions.

(Paragraph 2.1)

1.6.1.2 Audit of Information Systems in Bangalore Development Authority

The Bangalore Development Authority (BDA)'s vision was to use Information Technology (IT) and establish an integrated management system for its various business processes. The IT initiatives were also expected to enable the public to access every information they needed from BDA.

However, we found that BDA had not formulated any IT policy to guide its IT initiatives. The IT initiatives were disaggregated and did not factor in the wider picture and the potential need for future enhancement. BDA failed to follow the established system development practices and ended up developing several software packages without establishing a clear link to its key strategic priorities. BDA handled the software development unprofessionally and the value for money achieved by various IT projects was very poor. BDA's ineffective engagement of its stakeholders in the development of software, lack of clear vision of the senior management of the IT initiatives and inadequate oversight of the implementation of these initiatives were key factors, resulting in failure of many of the IT projects undertaken. Improper management of the contracts of the vendors led to several financial irregularities. In particular, the core aims as per the vision statement had not been met.

The property tax, shop-rent and attendance management modules functional in BDA suffered from several flaws in design. We found several instances of inadequate application controls, lack of integration of various interfaces, adoption of adhoc and unauthorised procedures to rectify errors, inadequate security of databases, etc., which effectively meant that BDA had been relying heavily on these ailing systems with all their existing flaws to conduct its business. These arose from insufficient governance, weaknesses in decision making and management in regard to software development. As a result, the IT controls functioning in BDA were not capable of ensuring safeguarding of assets, data integrity and their confidentiality. BDA needed to take immediate and appropriate steps to overcome these shortcomings and deliver a robust IT solution.

(Paragraph 2.2)

1.6.1.3 Leasing of properties by the Department of Hindu Religious Institutions and Charitable Endowments

The Department had not conducted a survey of all immovable properties belonging to the notified institutions and this handicapped the Department in effectively managing the properties of the Hindu religious institutions and charitable endowments. The Department also did not have an asset management plan and as a result, there was no guidance on managing the properties over the mid-and long-term. Land measuring 1.31 lakh sq ft had been irregularly leased by the Government in 52 cases without inviting public offers or conducting auctions. There were no efforts on the part of the Department/Government to obtain detailed market information before fixing the rates for the leases.

The administration of the leases was very poor as unjustified concessions had been extended to the lessees at the time of renewing the leases by (i) fixing the lease rent far lower than the prevailing market rate (ii) fixing longer lease period, depriving the Department of the opportunity of revising the lease rent in the short-term and (iii) revising downward the lease rent after its fixation. Collection procedures to ensure timely payment of lease rents had not been effectively followed, enforcement actions had not been taken to provide a long-term solution for chronic delinquent lessees, and the provision to collect interest for delinquent rental payment had not been enforced.

(Paragraph 2.3)

1.6.1.4 Maintenance of borewells by Bangalore Water Supply and Sewerage Board

The procurement process followed by the Board for materials required for maintenance of borewells did not conform to the KPWD's Stores Manual and the KTPP Act, discouraged competition, hampered efficient and economical use of the resources, and inhibited transparency and accountability and facilitated purchases of materials against fictitious sanction orders. As the irregular procurements were not isolated cases but had continued for nearly three years, it was indicative of the coordinated efforts of unscrupulous suppliers and officials at various levels to subvert the checks and balances encouraged by the failure of the oversight mechanism in the Board. These lapses resulted in misappropriation of Board's funds aggregating ₹ 10.42 crore through fictitious purchases and excessive charging of materials to borewells.

(Paragraph 2.4)

1.6.1.5 Audit of Department of Fisheries

The Department of Fisheries is responsible for enhancing fish production with sustained conservation of resources and improving the socio-economic standards of fishermen. An audit of the Department covering 2007-12 had been conducted to examine the economy, efficiency and effectiveness of its significant activities, keeping in view its mandate.

The audit of the Department showed the following:

Large number of vacancies in technical posts handicapped the Department in effective implementation of the programmes and schemes taken up for augmenting fish production. The Department also suffered from several institutional weaknesses such as absence of a Fisheries Policy, non-revision of the Fisheries Manual, inadequate arrangements for monitoring the implementation of schemes, and huge shortfall in internal audit.

The budgetary control mechanism in the Department was weak, as evidenced by non-preparation of realistic budget estimates, necessitating persistent huge savings year after year. The expenditure control was weak, as amounts surrendered were either in excess of the savings or far below the savings.

Though marine and inland fish production showed an impressive growth during 2007-12, there was shortfall in achieving the estimated potential growth. The inadequate capacity of the fishing harbours was a major constraint in optimum utilisation of the marine resources.

The inland fish production was sub-optimal as the fingerlings production in the State fell short of the requirement by 26 per cent during 2011-12. The fish seed production by the departmental farms fell short of the target during 2007-12 mainly due to lack of maintenance of the fish ponds. Subsidy paid for construction of fish ponds had been misused by fishermen.

Implementation of schemes for the welfare of the fishermen was not effective as the relief to the fishermen during the period of ban on fishing had been delayed and construction of houses by fishermen lagged behind schedule despite disbursement of subsidy.

(Paragraph 4.1)

1.6.2 Compliance audit of transactions

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

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

1.6.2.1 Non-compliance with rules

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. This report contains instances of non-compliance with rules involving ₹ 111.10 crore. Some significant audit findings are as under:

- *The teaching staff in Government and aided Pre-university colleges received salary of ₹ 4.01 crore for the strike period without compensating for the loss of academic days caused by the strike, in disregard of Government directives.*

(Paragraph 3.1.1)

- *Government failed to follow its own guidelines regulating grants to religious institutions and released ₹ 50.86 crore excessively to 58 institutions during 2010-11. Grants of ₹ 8.16 crore released to nine institutions were outside the purview of the Government guidelines.*

(Paragraph 3.1.3)

- *Government sold 13 acres of land to a Trust at a concessional rate of 50 per cent of its guidance value, though the Trust agreed to pay the* *guidance value for the land required for establishing a medical college. As per Rules, the concession was available only to charitable institutions which did not charge any fee or service charges. As the medical college intended to be set up on the Government land was expected to inevitably collect fees from the students, the concession extended was unjustified and it resulted in a loss of ₹4.23 crore.*

(Paragraph 3.1.4)

- *The Bangalore Water Supply and Sewerage Board misjudged the responsiveness of the lowest bids received for seven packages and rejected these on the ground that these were not substantially responsive. Consequently, the Board accepted higher bids for these packages and this resulted in extra expenditure of ₹21.36 crore.*

(Paragraph 3.1.5)

- *The Bangalore Water Supply and Sewerage Board inappropriately adopted current cost indices of a different commodity for regulating price adjustment and in the process, made an excess payment of ₹6.82 crore to a company.*

(Paragraph 3.1.7)

- *Bangalore Development Authority irregularly diverted health cess collections aggregating ₹13.26 crore for unauthorised purposes*

(Paragraph 3.1.8)

1.6.2.2 Audit against propriety/Expenditure without justification

Authorisation of expenditure from public funds is to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure involving ₹ 27.02 crore, some of which were as under:

- *The investment of ₹ 22.69 crore on restoration and development of Malathahalli lake failed to prevent contamination of the lake by untreated sewerage.*

(Paragraph 3.2.1)

- *Bangalore Development Authority prepared the designs for three flyovers and two grade separators considering the use of steel of grade Fe 415. However, during preparation of estimates and execution of these works, steel of grade Fe 500 had been considered. Though the steel requirement using Fe 500 grade was less as compared to Fe 415 grade, BDA did not revise the designs suitably, leading to unnecessary consumption of more steel on these works and the attendant extra expenditure of ₹4.33 crore.*

(Paragraph 3.2.2)

1.6.2.3 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It becomes pervasive when it is prevailing in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is not only indicative of non-seriousness on the part of the Executive, but is also an indication of lack of effective monitoring. This, in turn, encourages wilful deviations from observance of rules/regulations and results in weakening of the administrative structure. This report contains two instances of persistent and pervasive irregularities involving ₹ 22.53 crore. They are as under:

- *During 2011-12, in 744 cases relating to 31 district treasuries, Public Sector Banks made payment of family pension at enhanced rate beyond the period indicated in the Pension Payment Orders, resulting in excess payment of ₹ 3.43 crore.*

  (Paragraph 3.3.1)

- *Bangalore Water Supply and Sewerage Board persistently defaulted in payment of water cess to the Karnataka State Pollution Control Board during 2003-12 and in the process, was burdened with a huge undischarged liability of ₹ 19.10 crore towards interest and penalty.*

  (Paragraph 3.3.2)

1.6.2.4 Failure of oversight/governance

The Government has an obligation to improve the quality of life of the people for which it works towards fulfilment of certain goals in the area of health, education, development and upgradation of infrastructure and public service *etc.* However, Audit noticed instances where the funds released by Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels involving ₹ 18.04 crore. A few such cases are mentioned below.

- *Aided Pre-University colleges failed to remit fee collected from the students to the Government account, though mandated by the rules. This facilitated continued retention of fees, due to Government, outside the Government account. The amounts so retained by 74 aided Pre-University colleges aggregated ₹ 13.04 crore.*

  (Paragraph 3.4.2)

- *The Department of Collegiate Education procured equipment for receiving centres and broadcast studio to implement the EDUSAT programme in 142 colleges of the State. As the broadcasting studio had not been completed, investment of ₹ 1.81 crore made on the equipment remained idle for more than three years.*

  (Paragraph 3.4.3)

1.7 Lack of responsiveness of Government to Audit

1.7.1 Inspection reports outstanding

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

As of 31 December 2012, 180 IRs (917 paragraphs) were outstanding against Urban Development Department. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix-1.1**.

A review of the IRs, pending due to non-receipt of replies from the department showed that the Heads of Offices had not sent even the initial replies in respect of 20 IRs containing 83 paragraphs issued between 2004-05 and 2010-11.

1.7.2 Response of departments to the draft paragraphs

The Draft paragraphs/Reviews were forwarded demi-officially to the Principal Secretaries/Secretaries of the concerned departments between August and October 2012 with the request to send their responses within six weeks. The Government replies for two out of three Reviews, both the thematic paragraphs and six out of 15 paragraphs featured in this Report have been received. The replies, wherever received, have been suitably incorporated in the Report.

1.7.3 Follow-up on Audit Reports

The Hand Book, 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 which featured in Audit Reports, within four months of their being laid on the Table of Legislature to the Karnataka Legislature Secretariat with copies thereof to Audit Office.

The administrative departments did not comply with these instructions and 21 departments as detailed in **Appendix 1.2** had not submitted ATNs for 45 paragraphs for the period 1995-96 to 2010-11 even as of 31 December 2012.

1.7.4 Paragraphs to be discussed by the Public Accounts Committee

Details of paragraphs (excluding General and Statistical) pending discussion by the Public Accounts Committee as of 31 December 2012 are detailed in **Appendix 1.3**.

CHAPTER-2
PERFORMANCE AUDIT

2.1	Procurement and distribution of drugs and chemicals
2.2	Audit of Information System in Bangalore Development Authority
2.3	Leasing of properties by the Department of Hindu Religious Institutions and Charitable Endowments
2.4	Maintenance of borewells by Bangalore Water Supply and Sewerage Board

Chapter-2
Performance Audit
Health and Family Welfare Department

2.1 Procurement and distribution of drugs and chemicals

Executive Summary

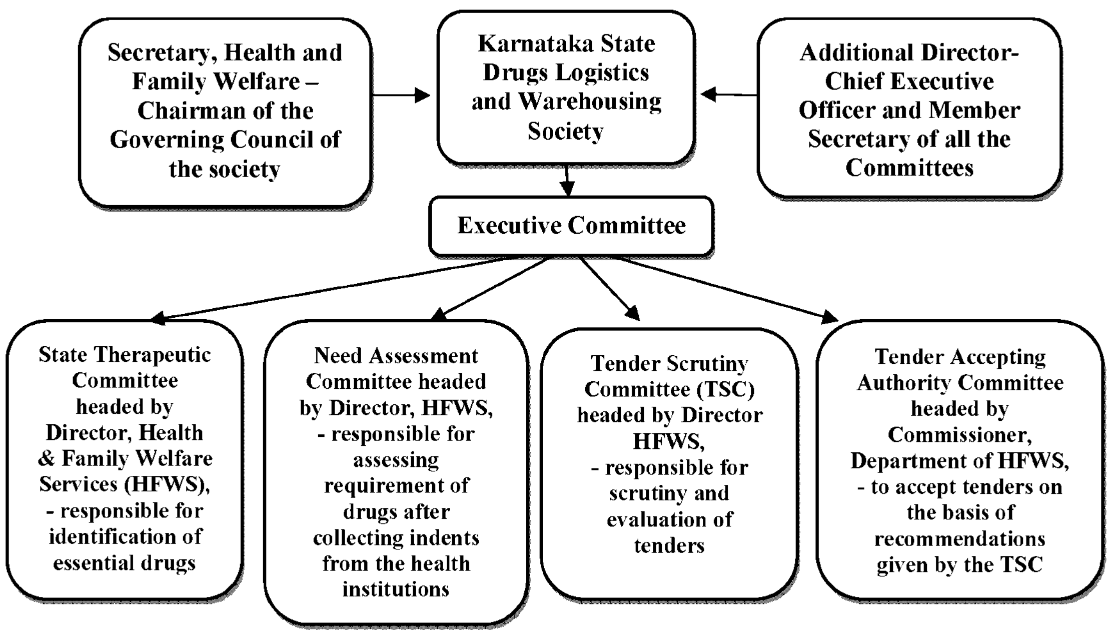
The Karnataka State Drugs Logistics and Warehousing Society (Society) had been established during the year 2003 with the main objective of establishing an efficient, cost effective and decentralized Drug Logistics and Warehousing System in the State adhering to modern warehousing and rigid quality control practices and providing information technology enabled services. The Society had been procuring drugs, chemicals and miscellaneous items for use in the health institutions in the State. A performance audit of the procurement and distribution of drugs by the Society during 2007-12 showed the following:

- **The tender evaluation by the Society was flawed in many cases as many non-responsive tenders had been considered responsive and drugs had been procured from these non-responsive sources during 2010-11.**
- **Drugs procurement lacked planning, resulting in chronic delay in finalizing the rate contracts for supply of drugs. While the rate contracts for 2008-09 had been finalized only in March 2009, those for 2009-10 had been awarded only in October 2010. This resulted in non-availability of sources for procurement of drugs during the period March 2010 to October 2010.**
- **The cost of drugs procured directly from the Karnataka Antibiotics and Pharmaceuticals Limited (KAPL) during 2008-12 against exemptions granted by the Government under the Karnataka Transparency in Public Procurement Act aggregated 31 to 67 *per cent*. The exemption lacked justification as the rates charged by KAPL had been far higher than those at which other State Governments had been purchasing these drugs during the corresponding period. During 2008-12, out of ₹ 111.14 crore paid to KAPL for purchase of 17 to 42 drugs, ₹ 55.44 crore (50 *per cent*) represented the higher cost paid when compared to the rates paid by the other State Governments.**
- **Procurement of drugs, especially IV fluids, had not been based on estimates of actual need and drugs had been procured far in excess of requirement, creating storage problems in the warehouses and health institutions. These excessively procured drugs had been stored in garages, toilets, corridors etc in health institutions. Further, 7223 drugs costing ₹ 15.82 crore had been procured with shelf life of less than 80 per cent and 1024 of these had shelf life of less than 50 per cent. Another 87 drugs costing ₹ 35.30 lakh had shelf life of less than 90 days.**
- **The quality assurance system was not effective as no quality testing of drugs had been done for 14 months from September 2009 to November 2010. No testing laboratory had been appointed since December 2010 for 48 drugs procured. Though the cost of drugs not conforming to quality supplied during 2010-12 aggregated ₹ 1.03 crore, no action had been taken to get these drugs replaced or recover the cost thereof from the suppliers. Further, the warehouses had mixed up the drugs not conforming to quality and time-barred drugs with those meant for distribution to health institutions.**

2.1.1 Introduction

The Karnataka State Drugs Logistics and Warehousing Society (Society) had been established during the year 2003 with the main objective of establishing an efficient, cost effective and decentralized Drug Logistics and Warehousing System in the State, adhering to modern warehousing and rigid quality control practices and providing information technology enabled services. The Society had been procuring drugs, chemicals and miscellaneous items for use in the hospitals in the State under the State Sector, District Sector, and Directorate of Medical Education. The Society had also been meeting the drug requirements of various programmes like National Rural Health Mission (NRHM), Akshara Dasoha of Education Department and those of the Karnataka State Aid Prevention Society (KSAPS).

2.1.2 Organisational set-up



2.1.3 Audit objectives

Audit was conducted with the objectives of evaluating the effectiveness of the procurement system and its impact on delivery of health services on the basis of:

- the efficiency of the budgeting process, sufficiency of allocation and timely release and utilisation of funds;
- efficiency and effectiveness of purchase procedures including tender evaluation and finalisation of contracts;
- evaluation of the system of assessment, procurement, storage, distribution and utilisation of drugs and chemicals;
- adequacy of quality control measures; and
- adequacy of monitoring and the internal control system.

2.1.4 Audit scope and methodology

The performance audit covered the transactions during the period 2007-12. Multi-stage stratified sampling technique had been used for selection of units for audit. Twenty five *per cent* of the district warehouses on the basis of allotment of funds, 25 *per cent* of the taluks in each sampled district on the basis of release and utilisation of funds and bed strength of health units and 20 *per cent* of the health units in the sampled taluks had been selected. The audit commenced with an entry conference held on 19 April 2012 with the Secretary, Health and Family Welfare in which the audit scope and methodology were explained. The audit was conducted during February to July 2012 covering the period 2007-12 through a test-check of records of the Secretary, Commissioner, Health and Family Welfare Services, the Society, five out of 14 warehouses, seven out of 13 hospitals under the Director of Medical Education, one district hospital, two hospitals in Bangalore, 11 taluk hospitals, 14 Community Health Centres (CHCs) and 24 Primary Health Centres (PHCs). We had also conducted joint inspection of the sampled warehouses, CHCs and PHCs with the departmental representatives. The audit comprised scrutiny of records, discussions with the departmental officers and field visits. The audit findings were discussed with the Principal Secretary, Health and Family Welfare in the exit conference held on 16 October 2012. The Report takes into account the replies furnished by the Government and the Society to the audit observations.

Audit findings

2.1.5 Provision and utilization of funds for procurement of drugs and chemicals

The Government made budget provision for procurement of drugs, chemicals and other miscellaneous items required by various health institutions under the head of account "2210-Health". The details of budget provision and expenditure thereagainst during 2007-12 were as shown in **Table-2.1**:

Table-2.1: Details of budget provision and expenditure

(₹ in crore)

Year	Plan		Non-plan		Total		Percentage of utilisation
	Budget provision	Expenditure	Budget provision	Expenditure	Budget provision	Expenditure	
2007-08	0.61	0.42	107.08	95.83	107.69	96.25	89
2008-09	0.15	0.03	114.58	105.34	114.73	105.37	92
2009-10	0.80	0.57	103.75	98.82	104.55	99.39	95
2010-11	0.40	0.38	105.95	79.84	106.35	80.22	75
2011-12	0.25	0.22	107.13	96.41	107.38	96.63	90
Total	**2.21**	**1.62**	**538.49**	**476.24**	**540.70**	**477.86**	**88**

(Source: Detailed estimates of expenditure and Appropriation Accounts)

While 80 per cent of the budgetary allocation was placed at the disposal of the Society, the remaining 20 per cent was allocated to major health institutions for meeting any immediate requirement of drugs.

The under-utilisation of funds during 2010-11 was mainly due to delay in finalisation of rate contract for supply of drugs and chemicals (as discussed in Paragraph 2.1.7 subsequently).

The Society also received funds directly from the implementing agencies for NRHM and Akshara Dasoha and from KSAPS for procurement of drugs. The Society deposited these funds in its bank account. The details of funds received during 2007-12 and the expenditure thereagainst were as shown in **Table-2.2**:

Table-2.2: Details of funds received and expenditure thereagainst

(₹ in crore)

Year	NRHM		KSAPS		AKSHARA DASOHA	
	Releases	Expenditure	Releases	Expenditure	Releases	Expenditure
2007-08	13.55	13.45	5.45	5.45	3.76	3.76
2008-09	11.50	7.35	0.46	0.45	4.08	3.91
2009-10	8.62	12.04	2.12	2.12	4.92	4.60
2010-11	3.22	3.57	0	0	1.95	1.95
2011-12	3.30	3.25	1.18	0.68	5.03	4.61
Total	**40.19**	**39.66**	**9.21**	**8.70**	**19.74**	**18.83**

(Source: Information furnished by the Society)

Out of ₹ 69.14 crore received during the audit period, ₹ 1.95 crore had remained unspent with the Society as of March 2012.

The Society additionally received funds from out of grants allocated to Zilla Panchayats (ZPs) for supply of drugs to health institutions under their jurisdiction. The Society deposited these funds in its bank accounts. The details of funds received from ZPs and expenditure thereagainst were as shown in **Table-2.3**:

Table-2.3: Funds received from ZPs and expenditure thereagainst

(₹ in crore)

Year	Releases	Expenditure
2007-08	8.94	8.03
2008-09	9.40	8.63
2009-10	9.38	8.63
2010-11	19.97	0.00
2011-12	20.79	19.96
Total	**68.48**	**45.25**

(Source: Information furnished by the Society)

While the Society received the grant of ₹ 19.97 crore only on 27 March 2011, it received the grant of ₹ 20.79 crore in two instalments of ₹ 13.78 crore and ₹ 7.01 crore during February and March 2012, respectively. As a result, the Society used ₹ 19.97 crore received in March 2011 for procurement during 2011-12 and the grant of ₹ 20.79 crore received during February and March 2012 remained unspent as of March 2012. The belated release of funds during 2010-11 resulted in non-procurement of drugs for the health institutions under ZPs during this period. Out of ₹ 68.48 crore received from ZPs during 2007-12, ₹ 23.23 had remained unspent with the Society as of March 2012.

2.1.5.1 Non-utilisation of the allocations made to health institutions

The Society prepared Action Plan every year for procurement of drugs from out of 80 per cent of the budget provision made under the head of account "2210-Health". The Society allocated this 80 per cent of the budget provision among the various health institutions on the basis of the following criteria:

- The average of the inpatients and outpatients in the preceding three years to determine the allotment of funds to District hospitals, major hospitals, taluk level general hospitals, CHCs with 30 bedded hospitals;
- An adhoc allocation of ₹ 1.25 lakh for 24 x 7 PHCs;
- An adhoc allocation of ₹ 1 lakh for regular PHCs.

After preparing the Action Plan on this basis, the Society purchased drugs by debiting the cost thereof against the allocation and supplied the drugs to the health institutions. Scrutiny showed that no expenditure had been booked against the allocations made for 3093 health institutions during 2007-12, evidencing that no drugs had been supplied to these institutions. The details are as shown in **Table-2.4:**

Table-2.4: Non-utilisation of allocation

Year	Number of units	PHC/CHC to which sub centres attached	PHC	CHC	Others	Allocation not utilised (₹ in crore)
2007-08	746	589	49	1	107	2.44
2008-09	218	Nil	80	1	137	4.14
2009-10	1039	886	64	0	89	2.93
2010-11	727	574	58	1	94	2.18
2011-12	363	311	26	0	26	1.11
Total	**3093**	**2360**	**277**	**3**	**453**	**12.80**

(Source: Information furnished by the Health and Family Welfare Department)

The unspent provision constituted 20 per cent of the total savings during 2007-12. It was further seen that the:

- allocation had been made for seven non-existing PHCs during 2007-12;
- allocation was not utilised in respect of another seven PHCs during 2008-12;
- allocation was not utilised in respect of another 11 PHCs for three years during 2007-12.

The Additional Director stated (August 2012) that action would be taken to prepare the action plan scientifically and budget allocation would be made as per the actual consumption pattern irrespective of the type of health institutions. Though the Society's reply was reassuring, the fact remained that a large number of health institutions did not receive supply of drugs year after year during 2007-12 and the ineffective monitoring by the Society facilitated denial of drug supplies to these institutions, which evidently affected the delivery of health care services to the needy public.

2.1.5.2 Parking of unspent funds in fixed deposits

The Society's receipts consisted mainly of handling charges levied at 2 *per cent* on the cost of drugs supplied to various health institutions. The Society had recovered ₹ 4.52 crore towards handling charges during 2007-08 to 2011-12.

As per the annual accounts of the Society for 2007-08 to 2011-12, the Society had parked huge funds in fixed deposits (FDs) in various banks year after year and earned interest thereon as shown **Table-2.5**:

Table-2.5 : Details of funds parked in FD and interest earned during 2007-12

(₹ in crore)

Year	Funds parked in FD at the end of the year	Interest earned during the year
2007-08	14.05	0.95
2008-09	23.04	1.07
2009-10	34.62	2.22
2010-11	54.53	3.86
2011-12	68.94	4.35
Total		**12.45**

(Source: Annual Accounts of the Society)

The amount invested in excess of handling charges recovered represented unspent funds received from various agencies like ZPs, NRHM, KSAPS etc. As there were no guidelines from the Government regarding utilization of interest so earned, the Society continued to retain huge interest balances outside the Consolidated Fund of the State. The Society had been registered as a Public Charitable Trust under Section 12A of the Income Tax Act, 1961 with effect from 1 April 2009. Institutions registered as Public Charitable Trusts are to apply 85 *per cent* of their income for charitable purposes to avail of the exemption granted under the Income Tax Act. As the Society had been running business without application of its income for charitable purposes, it would become liable for payment of Income Tax, if the interest earned had not been remitted to Government account. The Government stated (December 2012) that funds had been invested in FDs to earn higher interest and the interest so earned was the income of the Society to be utilised as per the decision of the Executive Committee. The reply, however, glossed over the fact that the Society had been registered as a Public Charitable Trust and any retention of the interest would render the Society liable for payment of income tax, which was avoidable.

2.1.6 The Society did not follow prescribed procedures for tendering

As per the Karnataka Transparency in Public Procurement (KTPP) Rules 2000, the Tender Inviting Authority is to have the notice inviting tenders (NIT) published in the Indian Trade Journal in all cases where the value of procurement exceeds ₹ 10 crore**.** We found that in the case of 14 tenders invited during 2007-12, the tender value ranged from ₹ 10.64 crore to ₹ 32.51

crore. However, these tenders had not been published in the Indian Trade Journal. The Government stated (December 2012) that there was no need to publish the NIT in the Indian Trade Journal as the e-procurement provided wide range of publicity and participation. The reply was not acceptable as the Society was bound to follow provisions in the KTPP Rules 2000.

The Society invited tenders under two cover e-tendering system from primary manufacturers/import license holders for staggered supplies of drugs, chemicals and other miscellaneous items. As per Government instructions of June 2003, technical evaluation of the tenders in the first cover should be completed within a reasonable period, and the time gap between the opening of the first and second covers should be the minimum, and in any case not more than 45 days. In exceptional cases, approval of the Secretary to the Government of the concerned Department is to be obtained where the period is more than 45 days but less than 60 days. If the period exceeds 60 days, the tenders are to be re-invited.

We, however, found that the time gap between the opening of the technical and financial bids in respect of 11 tenders processed during 2008-12 varied from 48 days to 164 days. Neither the approval of the Secretary, Health and Family Welfare had been taken where the delay was less than 60 days nor had tenders been re-invited in cases where the delay exceeded 60 days. The Additional Director stated (August 2012) that tenders could not be finalised in time due to unavoidable circumstances such as change-over to the e-procurement process, inspection of the manufacturing premises etc. The reply was not acceptable as delay in acceptance of tenders had occurred year after year though e-tendering process had commenced only during 2008-09 and inspection of the manufacturing premises had been started by the Society only from 2010-11.

As per KTPP Rules, 2000, the evaluation of tenders and award of contract should be completed, as far as possible, within the period for which the tenders are held valid. If it is not completed within the validity period of tender, the Tender Accepting Authority should seek extension from the tenderers. If the evaluation of tenders and award of contract are not completed with the extended period, all the tenders would become invalid and fresh tenders are to be invited.

The number of days taken to complete the tendering process during 2008-12 ranged from 46 days to 350 days. However, the Society had not obtained extension of time from the tenderers in cases where the validity period of 180 days had expired. This had not been done evidently to bypass the provisions of the KTPP Rule 2000 which insisted on re-invitation of tenders in cases where award of contract was not completed even during the extended period. The Government stated (August 2012) that obtaining extension from the tenderers was not required as they entered into agreements with the Society before execution of the supply order. The reply was not acceptable as seeking extension from the tenderers and award of contract within the extended period were compulsory as per the KTPP Rule, 2000. Non-observance of this procedure gave unlimited time to the Society for award of contracts which resulted in delayed supply or non-supply of drugs to health institutions.

2.1.7 Delay in finalisation of rate contracts for supply of drugs and chemicals

The Society had finalized three rate contracts (RCs), one for supply of 212 items of drugs (RC-I) which remained valid for two years from 9 January 2006 to 8 January 2008, another for supply of 319 items of drugs (RC II), which was valid for two years from 24 January 2007 to 23 January 2009 and the third for supply of suture materials (RC-III) which was in force from 21 November 2006 to 20 November 2008. The Government extended the periods of these rate contracts as shown in **Table-2.6,** as there was considerable delay in finalizing fresh RCs.

Table-2.6: Details of extensions of the rate contract periods

Sl No.	Rate contract	Date of commencement	Initial validity period	Details of extensions given
1	RC I of 2006 (212 items)	9.1.2006	08.01.2008	1st extension granted up to 30 June 2008. 2nd extension given up to 30 September 2008 or completion of tender process, whichever was earlier.
2	RC II of 2007 (319 items)	24.1.2007	23.01.2009	Extension given for a period of one year from 25.7.09 or completion of tender process, whichever was earlier
3	RC III (86 suture materials)	21.11.2006	20.11.2008	1st extension given up to 30 June 2009 2nd extension granted for a further period of six months was withdrawn by the Government during November 2009

(Source: Information furnished by the Society)

2.1.7.1 Rate contracts for 2008-09

As RC-I was due for expiry on 8 January 2008 and fresh tenders were to be invited, the STC examined (August 2007) the need for purchase of 212 drugs and deleted 15 drugs which were not required. The STC's recommendations were reviewed (October 2007) by a Committee and the Tender Accepting Authority (TAA) resolved (November 2007) to invite tenders for supply of essential, vital and desirable drugs. A decision on the requirement of drugs on the basis of average consumption during 2006-07 and 2007-08 had been taken only in March 2008 by the Additional Director. Tender invitation for procurement of 174 drugs, chemicals and miscellaneous items was, however, made only in July 2008 after a further delay of four months. The Government accepted the tenders in March 2009, as various processes leading to acceptance of tenders were badly delayed as shown below:

- Verification of samples received from the eligible firms was completed only in October 2008 though it should have been done before the opening of the financial bids on 20 September 2008;
- The TSC determined the responsiveness of the bids only in December 2008;

- Commercial bids were opened only in February 2009;
- Negotiations with the tenderers were completed in March 2009;
- The TAA resolved (March 2009) to accept rate contracts for supply of only 95 drugs against 174 tendered items, as 27 items had been withdrawn after tender notification; required inputs for 37 items had not been keyed in during bid submission; and bids for 15 items were found non-responsive.

The Additional Director attributed (August 2012) the delay to the change-over from the manual tendering process to e-procurement process. The reply was not acceptable as the delay occurred at various stages during August 2007 to July 2008 before invitation of tenders.

The Society invited (March 2009) tenders again for 79 items for which tenders had not been finalized. These items had been split into two groups of 48 drugs and 31 non-drugs. Since the model code of conduct was in place due to elections to the State assembly, the Society recalled the tenders and reinvited these again during May 2009. However, evaluation of the technical bids could not be done by the Chairman of the Tender Scrutiny Committee (TSC) as his digital card certificate had expired and not been renewed. These tenders were eventually cancelled (January 2010) by the Secretary, Health and Family Welfare. The Additional Director stated (August 2012) that the tender finalisation was beyond the control of the Society due to technical snags in the e-governance department and the Society would take all possible measures to avoid such actions in future. The reply was not acceptable as the Department did not take suitable action to renew the digital signature card certificate of the Chairman, TSC, in time which resulted in non-finalisation of the tenders.

During the extended period of RC-I, the Additional Director had placed 1857 purchase orders between January and September 2008 on 157 different firms. The value of drugs ordered was ₹ 28.85 crore. Against this, 702 purchase orders for ₹ 7.83 crore had not been acted upon by the suppliers. While partial supplies costing ₹ 6.57 crore out of ₹ 8.29 crore had been made against 369 purchase orders, drugs costing only ₹ 12.73 crore had been supplied in full, against 786 purchase orders. The details are as shown in **Table-2.7**:

Table-2.7: Details of execution of purchase orders

(₹ in lakh)

Date of placing the purchaser orders (Pos)	No. of POs	No. of items	Total value	No.of firms	POs not executed			POs partially executed				POs fully executed		
					No. of POs	Value	Percentage	No. of POs	Executed Value	Non-executed value	Percentage	No. of POs	Value	Percentage
21.1.2008	56	56	364.58	28	1	2.07	1	22	204.38	20.08	6	33	138.05	38
15.2.2008	9	3	145.67	3	0	0	0	3	72.15	3.48	2	6	70.04	48
22.7.2008	179	179	197.36	43	47	57.02	29	19	6.59	9.85	5	113	123.90	63
13/25/26 August 2008	416	189	692.91	43	160	159.20	23	94	137.50	32.87	5	162	363.34	52
16/18/19/26/ 27/30 September 2008	1197	180	1483.99	40	494	564.74	38	231	235.98	105.30	7	472	577.97	39
	1857		**2884.51**		**702**	**783.03**		**369**	**656.60**	**171.58**		**786**	**1273.30**	

(Source: Information furnished by the Society)

Thus, between January 2008 when the validity period of previous rate contracts expired for 212 drugs and March 2009 when fresh rate contracts for supply of 95 drugs were finalised, essential drug supplies to the needy institutions suffered as the existing rate contract holders had failed to meet the requirement. No purchase orders had also been placed beyond September 2008. Even from March 2009 onwards, the fresh rate contracts met the requirement of only 95 against 197 essential drugs.

2.1.7.2 Rate contracts for 2009-10

As RC II for supply of 319 drugs was due for expiry on 23 January 2009, the STC reviewed (January 2009) the drugs and determined the final list of 224 drugs. The TAA, which reviewed (January 2009) the STC's recommendations, invited tenders separately for supply of 118 drugs, 47 sutures and 19 Endo Tracheal Tubes (ETT) during February 2009.

The details of opening, scrutiny and evaluation of tenders for supply of 118 drugs were not furnished to audit. In response to the tender notification for 47 sutures, five firms had submitted their bids. During the technical evaluation by the TSC during May 2009, only two firms were found responsive. The single bid received for supply of 19 ETT was found non-responsive. There was no documentary evidence in support of other tendering processes in the files produced for scrutiny. The Secretary, Health and Family Welfare cancelled (January 2010) the tenders due to inordinate delay in finalisation and ordered retendering. The Society was also directed to finalise the tenders within three months.

However, the processing of tenders did not proceed as planned and tenders were accepted only in October 2010 due to delays at various stages as shown below:

- The STC approved purchase of 552 drugs on 4 January 2010;
- The NAC approved procurement of 282 drugs in February 2010 and worked out the requirement on the basis of indents received.
- Tenders were invited for 277 drugs on 25 February 2010. The last date for uploading of tenders was extended up to 30 April 2010 due to a variety of reasons such as conducting pre-bid conference, technical problem in e-procurement portal, modifications made in the tender quantity etc.;
- Inspection of the manufacturing premises of the bidders was taken up in May 2010;
- Technical evaluation of the bids was completed only in September 2010;
- TSC evaluated the bids in September 2010;
- TAA accepted the bids in October 2010. The number of drugs for which tenders had been invited and the number of drugs for which tenders had been finally accepted were as shown in **Table-2.8**:

Table-2.8: Details of tenders invited and accepted

No. of drugs for which tenders were invited	No. of drugs for which tenders were accepted
88 drugs	65
123 drugs	75
66 drugs	49
Total 277 drugs	**189**

(Source: Information furnished by the Society)

Though the validity of RC-II had been extended for a year from July 2009, no orders had been placed for supply of drugs, except for Glutamine 15 gram oral sachets, till fresh rate contracts were finalized in October 2010. Thus, 319 essential drugs had not been procured after the expiry of the rate contract in January 2009 till October 2010 and there were no RCs for supply of these drugs during 2009-10. The Additional Director stated (August 2012) that though the tendering process started in February 2009, there was delay in finalising the tenders due to an investigation ordered by the State Lokayuktha into the tendering process. The reply was not acceptable as the investigation by the State Lokayuktha commenced only on 6 April 2010 and the Lokayuktha directed the Secretary on 20 May 2010 to defer the process of tendering only for 25 drugs. Thus, the Lokayuktha investigation was not the cause for delay and cancellation of tenders by the Secretary in January 2010.

2.1.7.3 Rate contracts for 2011-12

Though the STC finalized the Essential Drug List in April 2011, the Society invited (July 2011) tenders for supply of 272 items (228 drugs and 44 sutures) only during July 2011 and finalized the rate contracts for 174 drugs and 44 sutures only during November 2011. The Society invited tenders for the remaining 54 drugs only during January 2012 and the RCs for these drugs had not been finalized even as of July 2012. Thus, during 2011-12 also, the tendering process was delayed, affecting the procurement of drugs and chemicals.

2.1.8 Irregularities in evaluation of tenders

We found that the determination of the responsiveness of bids received in response to the tender notifications was flawed in the following cases, resulting in acceptance of non-responsive bids and procurement of drugs from ineligible manufactures.

(i) One of the conditions for determining the responsiveness of tenders was that the annual turnover of the tenderer in the preceding three years should not be below ₹ 5 crore. As per the bid of M/s. Delux Surgical, Ahmedabad submitted in response to an earlier tender notification (July 2008) for supply of 174 drugs, the bidder's turnover during 2006-07 was only ₹ 3.05 crore. The same company, while submitting the bid in response to the tender notification (February 2010) for supply of 66 drugs, had declared the turnover for 2006-07 as ₹ 5.16 crore. Though the Society received (September 2010) a complaint alleging misrepresentation of facts, it did not declare the bid of M/s.

Delux Surgical, Ahmedabad non-responsive. On the other hand, the lowest bid of the company for two products had been irregularly accepted in October 2010 and drugs costing ₹ 1.32 crore had been purchased from the company during 2010-11. The Government stated (December 2012) that there was no loss to the Government and the company supplied the material in time. The reply was not acceptable as the Society would have come to know about the misrepresentation of facts by the company, if it had acted upon the complaint received. Failure to do so resulted in award of contract to an ineligible company.

(ii) As per the tender conditions, the bidders are required to upload non-conviction certificate issued by the Drugs Controlling Authority in the format prescribed in the tender document. The certificate should have been issued on or after April 2009 and should cover the preceding three years. However, M/s. Relief Lab Private Limited had uploaded four non-conviction certificates (dated 16 January 2007, 24 April 2008, 3 February 2009 and 14 January 2010) issued by the Joint Commissioner, Food and Drug Administration, Nagpur, Maharashtra specifically for the purpose of participating in the tenders floated by Joint Director, Government of Haryana and Tamil Nadu Medical Services Corporation, Chennai (TNMSC). The non-conviction certificates, besides being not in the format prescribed by the Society, did not cover the preceding three years. Instead of treating the bid of Relief Lab Private Limited as non-responsive, the Society irregularly declared it responsive and accepted the lowest bids of the company for eight products in October 2010. The Society purchased five products from the company at a cost of ₹ 96.47 lakh from the company during 2010-11. The Government stated (December 2012) that the information asked in the non-conviction certificate was available in the uploaded performance certificate and a pragmatic view had been taken to consider this tender responsive. The reply was not acceptable as the certificates, besides being not in the prescribed format, had been issued for participating in tender of TNMSC and Joint Director, Government of Haryana. The role of the TSC was limited to evaluating the tenders against prescribed criteria. The criteria had been bypassed evidently to favour the company.

(iii) When tenders for supply of drugs and chemicals had been invited (February 2010), the Society introduced a new condition for the first time that inspection of the premises of the manufacturers should be done before determining the responsiveness of the tenders. However, the premises of M/s. Daffodills Pharmaceuticals Limited, Meerut had not been inspected before awarding the rate contract. The Society placed order for three drugs costing ₹ 29.58 lakh from the firm, against which drugs costing ₹ 16.91 lakh were supplied. The Government stated (December 2012) that inspection of the premises had been done on 19 October 2011. The reply was not acceptable as the inspection should have been done before award of the contract.

(iv) As per a tender condition, tenderers who had been declared as de-registered/debarred/black-listed by the Central/State Governments even after award of rate contract were to be treated as non-responsive tenderers. M/s. Parentral Drugs (India) Limited had been debarred by the Municipal Corporation of Delhi and the Employees' State Insurance Corporation, New

Delhi during March 2011 and July 2011 respectively. In view of the tender condition, the tender submitted by M/s. Parentral Drugs (India) Limited in response to the tender notification (July 2011) of the Society should have been treated as non-responsive. The Additional Director, however, requested (October 2011) the Drugs Controller of the State to give his opinion in this regard after obtaining confirmation from the Drug Controllers concerned. No further developments in this regard were on record and the rate contract for supply of drugs was awarded (November 2011) to M/s. Parentral Drugs (India) Limited which subsequently supplied drugs costing ₹ 8.51 crore against orders for ₹ 8.59 crore. The award of the rate contract in total disregard of the tender conditions had evidently been done to favour the company.

(v) We also found that the TSC, while considering (November 2008) the responsiveness of tenders received in response to the tender invitation made in July 2008 for supply of 174 drugs treated the tenders of 10 companies responsive though the production evaluation report had treated the products of these companies as non-responsive. Though the commercial bids of these companies had been irregularly opened (January 2009) by the TAA, these companies were not awarded rate contracts for supply of drugs. Evidently, the system of determining the responsiveness of tenders on the basis of criteria laid down did not function effectively, exposing the Society to the risk of procuring drugs from non-responsive companies. The Additional Director stated (August 2012) that the decision of the TAA on the basis of the recommendation of the TSC to decrypt 14 non-responsive tenders was in the interest of procurement of drugs at competitive rates. The reply was not acceptable as the TSC's role was limited to examining the responsiveness of the tenders on the basis of tender conditions and it exceeded its powers in recommending the decryption of the financial bids of non-responsive tenders.

2.1.9 Conditions for eligibility relaxed to favour a company

The Society invited (February 2010) tenders for supply of Injection Anti-Rabies Vaccine–Intra Dermal (ARV-ID), both for 0.5 ml and 1 ml vials. One of the conditions prescribed for determining the responsiveness of the bids was that the primary manufacturer should submit Market Standing Certificate and Performance Certificate for the products for a period of three years. Out of three bids received, two were not responsive. Of these two tenders, one Company (M/s.Bharat Biotech International Limited, Hyderabad) was non-responsive as the bidder had been granted license to manufacture the products only during May 2008 and December 2008 respectively. The only responsive tender was also rejected (October 2010) as the rates quoted for the products were very high.

When the Society invited (January 2011) tenders again, the condition regarding Market Standing Committee and Performance Certificate was relaxed from three years to two years. There was no documentary evidence justifying the relaxation. Though the Company qualified in the evaluation of technical bids as a result of the relaxation, all the five bids received were rejected (June 2011) as the Society had received complaints alleging irregularities in the evaluation of tenders.

In response to the third call (June 2011), the Company qualified in the technical evaluation due to relaxation of the condition and also became the lowest in the evaluation of the financial bids. During 2011-12 the Society procured 60000 vials of 0.5 ml and 120000 vials of 1 ml injections of ARV-ID from the Company at a cost of ₹ 2.74 crore. When tenders were invited (May 2012) for supply of ARV-ID during 2012-13, the condition regarding Market Standing Committee and Performance Certificate was again increased to three years.

Thus, the relaxation of the condition regarding Market Standing Committee and Performance Certificate had been done evidently to facilitate the participation of the company in the tenders. The Government stated (December 2012) that the relaxation of the period of two years had been made to facilitate healthy competition. The reply was not acceptable as the original condition was restored when tenders were invited again in May 2012.

2.1.10 Procurement of drugs and chemicals

2.1.10.1 Purchases from KAPL

The Government enacted the KTPP Act, 1999, effective from 4th October 2000 for ensuring transparency in public procurement of goods and services by streamlining the procedure for inviting, processing and acceptance of tenders by procurement entities. As per Section 5 of the KTPP Act, procurement other than by tender is prohibited. Section 4(g) of the Act, however, exempts specific procurements as may be notified by the Government from time to time.

Karnataka Antibiotics and Pharmaceuticals Limited (KAPL), Bangalore is a Public Sector Undertaking involved in the manufacture of antibiotics and other drugs required for both human and veterinary use. After the introduction of the KTPP Act, KAPL had been seeking exemption from the Government under Section 4(g) of the KTPP Act for a few of its products. The Government had been exempting procurement of specified drugs manufactured by KAPL under Section 4(g) of the KTPP Act since March 2003, except during June 2005 to April 2008, when the exemption stood withdrawn. The exemption had been restored after nearly three years with the Principal Secretary, Health and Family Welfare strongly recommending (March 2008) to the Finance Department for grant of exemption on the ground that the products manufactured by KAPL were of good quality while many of the firms participating in the tendering process did not even have proper manufacturing premises. The cost of drugs supplied by KAPL to the Society constituted 31 to 67 *per cent* of the total cost of drugs procured by the Society during 2008-12 as shown in **Table-2.9**:

Table-2.9: Details of cost of drugs supplied by KAPL

(Value: ₹ in crore)

Year	Total value of drugs ordered	Value of orders on KAPL	Percentage of KAPL orders to total orders	Total cost of supplies received	Cost of supplies received from KAPL	Percentage of cost of supplies from KAPL
2008-09	94.56	24.58	26	69.83	21.95	31
2009-10	100.26	27.79	28	87.12	26.02	30
2010-11	79.12	52.26	66	72.10	48.33	67
2011-12	103.89	45.88	44	97.77	43.00	44
Total	**377.83**	**150.51**	**40**	**326.82**	**139.30**	**43**

(Source: Information furnished by the Society)

The supply of drugs was the maximum at 67 *per cent* during 2010-11. We found the exemption granted to KAPL unjustified due to the following reasons:

(i) The Principal Secretary to Government, Department of Health and Family Welfare who strongly recommended for grant of exemption, was also the Chairman of KAPL. Thus, there was clash of interests.

(ii) KAPL had been seeking exemption on the basis of Purchase Preference Policy (PPP) formulated by the Government of India during August 2006 which was valid for a period of five years. The purchase preference had been granted exclusively to Central Public Sector Enterprises in Pharma Sector and their subsidiaries in respect of 102 medicines manufactured by these. The PPP was applicable to purchases made by Ministries/Departments, PSUs, and autonomous bodies of the Central Government. This was also applicable to purchase of drugs made by the State Government under the health programmes funded by the Government of India. It was not applicable for health programmes funded exclusively by the State.

(iii) The Department of Animal Husbandry and Veterinary Sciences and Bangalore Medical College and Research Institute had rejected (December 2008) the proposal of KAPL for purchase of drugs under the preferential category as the rates of KAPL were very high.

(iv) The Society entered into an agreement for supply of 14 drugs against orders to be placed from time to time. KAPL, while executing the agreement, excluded the following clauses on the grounds that it was a unit owned by the State Government:

- Levy of testing charges for getting the test report from a testing lab approved by the Society; and
- Levy of penalty for delay in supply of drugs,

As the Society did not agree to the deletion of these clauses, KAPL furnished an addendum incorporating these clauses in May 2008. As KAPL continued to insist on deletion of these two clauses, the Government extended the period of supply to 120 days against 90 days prescribed for other firms which had been awarded the rate contracts. This concession was unjustified as it failed to provide a level playing ground to all the manufacturers of drugs.

The Society had introduced a security system which did not permit the warehouses to receive any supply after expiry of the maximum time limit allowed for supply. Any receipt after the prescribed time limit would be accepted only after the security lock was opened by the EDP personnel with the approval of the Additional Director. This security check had not been applied to supplies from KAPL which supplied the drugs as and when possible. The Society only levied penalty for delay in supplies. The extent of delay in supplies by KAPL in sampled units was as shown in **Table-2.10**:

Table-2.10: Extent of delay in supplies by KAPL

Ware house	Order No.	Order date	Received Date	No. of days
Hassan	D0125A	23.9.2009	19.4.2010	208
All warehouses	E0002W	27.7.2010	31.1.2011	123-188
All warehouses	E002AD	27.7.2010	27.12.2010	126-153
Bangalore	010	12.8.2011	17.5.2012	240-279

(Source: Information furnished by Society)

The Society had recovered ₹ 115.37 lakh from KAPL towards penalty for belated supplies during 2008-12 as shown in **Table-2.11**:

Table-2.11: Details of penalty recovered from KAPL

(Value: ₹ in lakh)

Year	Value of drugs ordered	Value of drugs supplied	Value of drugs not supplied	Penalty recovered	Remarks
2008-09	24.57	21.95	2.62	15.23	Non-supply ranged from 0 to 97 *per cent*. Purchase order placed on 26.9.08 for 7 drugs had not been acted upon.
2009-10	27.79	26.02	1.77	12.53	Non-supply ranged from 27 to 87 *per cent*.
2010-11	52.26	48.33	3.93	36.03	Non supply ranged from 0 to 44 *per cent*.
2011-12	45.88	42.76	3.12	51.58	Non-supply ranged from 26 to 96 *per cent*.
Total				**115.37**	

(Source: Information furnished by the Society)

Thus, KAPL failed to supply the drugs timely even after extending the supply period from 90 to 120 days. As the drugs procured from KAPL were essential drugs, delayed supply or non-supply of these drugs to the health institutions evidently resulted in the needy public not getting the essential drugs as and when these were needed.

(v) While issuing (July 2008) the tender notification for procurement of 174 drugs, the Society excluded the drugs that had been manufactured by KAPL. However, Tab. Albendazole 400 mg, Inj. Ranitidine 2ml and Tab Amoxycillin Dispersable 125 mg manufactured by KAPL had, nevertheless, been included in the tender notification. The Society also entered into agreements with the RC holders for supply of these drugs during March and April 2009. Meanwhile, KAPL requested (March 2009) the Society to delete the above products from the rate contracts and procure these from them. The Principal Secretary, Health and Family Welfare directed (April 2009) the Society to discontinue the RCs for these drugs on the ground that he was fully aware that all the suppliers were agents with no verifiable manufacturing units. The Principal Secretary's directive is to be viewed in the light of the fact that the Society had finalised the RCs for these drugs after their technical evaluation by a Committee of experts and after the suppliers had met all the requirements prescribed by the Society. The Principal Secretary's directive was, at best, an attempt to direct the supply orders for these drugs to KAPL on indefensible grounds. The Society cancelled the agreements with the RC firms though the rates quoted by KAPL were far higher than those quoted by the RC holders as shown in **Table-2.12**:

Table-2.12: Comparison of KAPL rates with RC rates

Sl. No.	Name of the drug	KAPL rate (in ₹)	RC rate (in ₹)	Difference (in ₹)	Quantity purchased	Difference in value (₹ in lakh)
1	Tab. Albendazole 400 mg 1 x 10 x 10 (Indent 384643 ampules)	119	55.95	63.05	83648 units	4.54
2	Inj. Ranitidine 1 x 10 x 2ml (Indent 7194 units)	22	12.36	9.64	7194 units	8.06
3	Amoxycillin Dispersable Tab 1 x 10 x 10	86	44.43	41.57		0
	Total					**12.60**

(Source: Information furnished by the Society)

The avoidable additional cost consequent on procurement of these two drugs from KAPL worked out to ₹ 12.60 lakh.

The Government stated (December 2012) that the drugs had been procured from KAPL at the rates fixed by the National Pharmaceutical Pricing Authority (NPPA) and additional cost due to procurement of these drugs from KAPL did not arise. The reply was not acceptable as the rates obtained by the Society for these drugs through the tendering process were far lower than the rates fixed by NPPA and non-availment of these rates did result in additional cost.

(vi) A comparison of the rates paid to KAPL for drugs supplied with those at which other State Governments procured for the same drugs showed that the rates of KAPL were very high and the Society had incurred an avoidable expenditure of ₹ 55.44 crore on purchase of drugs from KAPL during 2008-12 as detailed in **Table-2.13**:

Table-2.13 : Comparison of KAPL rates paid by other Governments

(₹ in crore)

Sl. No	Year	No. of drugs procured from KAPL	Value of drugs procured from KAPL	Value of the same drugs at the rates paid by other Governments	Difference in value
1	2008-09	17	22.83	12.89	9.94
2	2009-10	23	18.99	8.98	10.01
3	2010-11	29	41.23	19.91	21.32
4	2011-12	17	28.09	13.92	14.17
	Total		**111.14**	**55.70**	**55.44**

(Source: Information furnished by Society and RC rates of other states)

Thus, promoting the products manufactured by KAPL resulted in draining of scarce resources earmarked by the State Government to address the health issues of the citizens. Though promoting the drugs of a State-owned company would be, per se, in order, doing it at a huge cost to the detriment of the citizens at large would be improper. The Government stated (December 2012) that procurement from KAPL had been made on the basis of exemption granted under the KTPP Act and at the rates fixed by NPPA. The reply was not acceptable as the rates paid to KAPL were far higher than those at which other Governments had been procuring drugs. Further, the supplies by KAPL had also not been timely.

2.1.10.2 Drugs excessively procured

The details of items of drugs indented by the health institutions against the rate contracts, items of drugs procured and the range of quantities of items of drugs procured against the indented quantities during 2007-08 to 2011-12 were as shown in **Table-2.14**:

Table-2.14: Details of ordered/procured quantity against indented quantity

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Method of procurement	RC	RC/KAPL	RC/KAPL	KAPL/One time tender	KAPL/ One time tender
No. of items indented	631	624	240	324	486
No. of items procured	628	570	157	203	253
Percentage of procurement	99	91	66	63	52
No. of drugs ordered and the percentage of quantities ordered against the indented quantities					
0-75 %	130	255	30	60	45
75-125%	382	213	31	101	166
125-500%	98	81	73	37	36
501-1000%	14	14	16	3	3
1001-4052%	4	7	7	2	3
No. of drugs procured and the percentage of quantities procured against the indented quantities					
0-75 %	246	333	39	82	57
75-125%	291	156	29	83	158
125-500%	76	65	70	34	32
501-1000%	12	11	14	2	3
1001-4052%	3	5	5	2	3

(Source: Information furnished by Society)

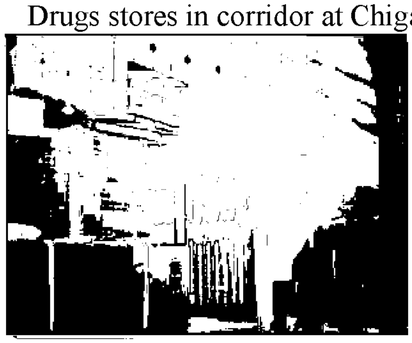
We found that the Society had not placed supply orders for all the items of drugs indented by the health institutions during 2007-12. The items of drugs ordered constituted only 52 to 66 *per cent* of those indented by the health institutions during 2009-12. The proportion of the number of items of drugs ordered to those indented registered a sharp declining trend from 99 *per cent* during 2007-08 to 52 *per cent* during 2011-12. The number of items of drugs ordered was the lowest at 157 during 2009-10. This was because the RCs for only 95 items of drugs finalised in March 2009 were in force during the year. The number of items of drugs ordered during 2010-11 was also low as the fresh RCs for supplies during 2010-11 had been finalised only during November 2010 and purchase of 25 items of drugs had been deferred by the Society on the directions of the State Lokayuktha. During the year 2011-12, only 253 items had been ordered against 486 indented items and purchase orders for 219 of these items had been placed only from December 2011.

Though the items of drugs purchased drastically declined from 2007-08 level, there was no corresponding reduction in the expenditure on procurement. Though the number of items of drugs procured was the lowest during 2009-10, the expenditure on procurement was ₹ 99.39 crore during this period against the average expenditure of ₹ 95.57 crore during 2007-12. This was mainly because the quantities of drugs purchased were far in excess of those indented by the institutions. While 19 drugs had been procured excessively ranging from 501 to 4052 *per cent* of the indented quantities, the excess procurement in respect of another 70 drugs had been in the range of 125 to 500 *per cent* of the indented quantities. The items of drugs excessively purchased during 2009-10 constituted 57 *per cent* of the total items of drugs procured. Though the excess procurement declined during 2010-12, the items of drugs excessively procured consistuted 19 and 15 *per cent* of the total items of drugs purchased during 2010-11 and 2011-12, respectively.

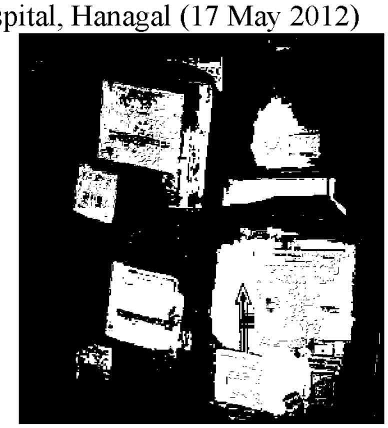
The drugs excessively procured during 2009-10 had been indiscriminately distributed to the health institutions by the warehouses in excess of requirement and this created storage problems for these health institutions. We found that the drugs excessively supplied had been stored by the health institutions at different places like garages, toilets, kitchens, corridors, wards etc. in unhygienic conditions.

Drugs stored in toilet in General Hospital, Hirekerur (16 May 2012)

Drugs stores in corridor at Chigateri Hospital,Davanagere (9 May 2012)



Drugs stored in wards in General Hospital, Hanagal (17 May 2012)



As a result of the storage problems, various health institutions resorted to transferring the drugs and chemicals to other institutions. We also found that the Society itself had issued orders for transfer of IV fluids, between warehouses and major hospitals. In the test-checked warehouses, drugs valued at ₹ 2.99 crore had been transferred from one place to another during 2007-12, by incurring expenditure of ₹ 1.88 lakh. These were only illustrative cases. Excess procurement, besides resulting in locking up of funds, led to the stock of drugs remaining unutilised for a long time, reducing the shelf life of the drugs.

We further found that as a result of excessive procurement, huge quantities of drugs with marginal shelf life had been held in stock in test-checked health institutions. There was no likelihood of the utilisation of these drugs (Paragraph 2.1.10.7) before their dates of expiry.

The Government stated (December 2012) that procurement and distribution of drugs had been made purely on the basis of indents and some institutions might have indented more quantities of drugs unscientifically, leading to more stock and causing storage problems. The Government further defended the transfer of drugs on the ground that such transfers had been made depending on the consumption pattern of drugs. The reply was not acceptable for the following reasons:

(i) The excess procurement had been worked out by audit only on the basis of indents received from various health institutions during 2007-12 and drugs had been supplied to health institutions far in excess of the quantities indented, leading to storage problems; and

(ii) The transfer of drugs from one institution to another had not been made on the basis of any analysis of the consumption pattern but was necessitated by storage problems and lack of demand for the existing stock.

- ***Huge excess procurement of IV fluids***

After the Government approved (March 2009) the rate contracts for supply of drugs and chemicals, the Society circulated an indent book to the health institutions for indicating their requirement. In the meanwhile, the Society decided (May 2009) to place purchase orders for 50 *per cent* of the tendered quantity immediately and follow it up with further orders for the balance requirement after consolidation of the indents.

Scrutiny of the consolidated indents and purchase orders placed for IV fluids during 2009-10 showed that while orders had been placed for 381 to 638 *per cent* of the indented quantities, IV fluids supplied were 178 to 497 *per cent* of the indented quantities as shown in **Table-2.15**:

Table-2.15: Excessive IV fluids purchased during 2009-10

Sl. No.	Name of the drug	Consolidated indent quantity (In lakh)	Ordered quantity (In lakh)	Percentage of ordered quantity in terms of indented quantity	Received quantity (In lakh)	Value (₹ in lakh)	Percentage of received quantity to indented qty
1	METRONIDAZOLE INJ.I.V 100 ML FFS – 5MG/ML – 1X100 ML	10.99	41.89	381	29.31	168.57	267
2	RINGERS'S LACTATE SOLUTION FOR INJ 500ML BOTTLE 1 X 500ML	9.98	46.38	465	37.71	352.95	378
3	DEXTROSE 5% W/V WITH SODIUM CHLORIDE 0.9% w/V -500 ML 1 X 500ML	9.60	42.21	440	34.98	327.09	364
4	SODIUM CHLORIDE INJ.500 ML 0.9% W/V – 1X 500 ML	5.88	37.50	638	29.24	259.96	497
5	DEXTROSE INJ.500 ML-5% W/V – 1 X 500ML	6.46	27.50	426	20.65	200.11	320
6	CIPROFLOXACIN – 100ML – 2MG - 1X100 ML	6.03	23.03	382	10.76	58.12	178
	TOTAL	**48.94**	**218.51**		**162.65**	**1366.80**	

(Source: The consolidated indents included Departments of Health, Medical Education and Zilla Panchayats)

We found that three suppliers benefitted from the indiscriminate procurement in total disregard of the indented quantities and these purchases were evidently suppliers driven. The details are as shown in **Appendix-2.1.**

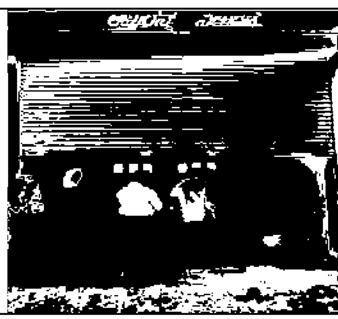
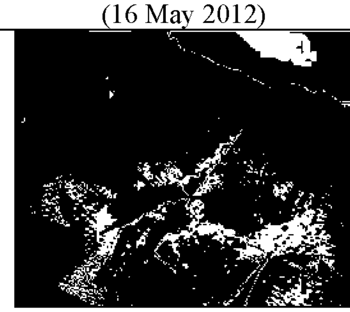
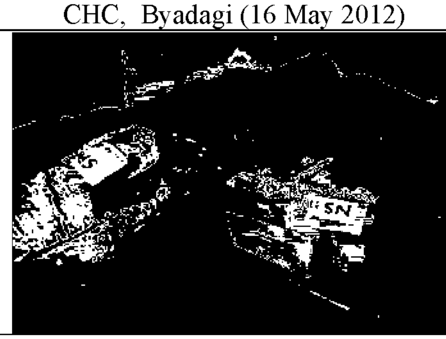
The Government stated (December 2012) that IV fluids had been procured on the basis of indents received from the health institutions. The reply was not acceptable as the excess procurement had been assessed by audit after considering all the indents that had been received during the year as per the database provided by the Society. Further, the procurement had been so high during 2009-10 that IV fluids of Dextrose 5% with Sodium Chloride 0.9%, Sodium chloride injection 500 ml, Dextrose injection 500 ml 5% and Ciprofloxacin 100 ml had not been procured during 2010-11.

- ***Distribution of IV fluids***

After placing (February 2010) the purchase orders on M/s.Parenteral Drugs Limited and Claris Life Sciences Limited, the Additional Director modified (March 2010) the list of consignees to overcome space constraints though there had been no indents from these consignees. The details of the modified orders are as shown in **Appendix-2.2.**

Similarly, we also found that the Additional Director directed (July, 2011) the District Health and Family Welfare Officer, Belgaum to transfer excessive stock of 85000 bottles of IV fluids to two hospitals in Bangalore, one hospital in Hospet and one hospital in Hiriyur. Further, the modified order also required the suppliers to prepare the invoices for supplies on the basis of the earlier distribution list though the consignments were to be delivered as per the modified list. The warehouses followed these instructions and acknowledged receipt of drugs not received and subsequently raised delivery notes against the institutions which actually received the drugs. The Government stated (December 2012) that transfer of drugs had been effected with the sole intention of providing IV fluids for consumption in every nook and corner of the State. The reply was not acceptable as the modified list issued by the Additional Director clearly stated that it was issued in order to overcome space constraints and there was no indent from the institutions.

As the hospitals, CHCs and PHCs had not been equipped to handle such huge stocks of drugs, the IV fluids remained stored in ambulance sheds, near stair cases and in small rooms in very unhygienic conditions even during the period of audit, long after their purchase. We found carcasses of rats on IV fluid carton boxes. Illustrative photographs of improper stocking of IV fluids noticed during inspection are shown below:

<table>
<tr><td colspan="2">District Hospital, Davanagere
(9 May 2012)</td><td colspan="2">District Hospital, Davanagere
(9 May 2012)</td><td colspan="2">District Hospital, Haveri
(15 May 2012)</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td colspan="2">CHC, Akki Allur
(17 May 2012)</td><td colspan="2">.District Hospital, Haveri
(15 May 2012)</td><td colspan="2">Carcasses of rats on IV fluids carton boxes at CHC, Byadagi
(16 May 2012)</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td colspan="3">Ambulance Shed at CHC, Bydagi (16 May 2012)</td><td colspan="3">CHC, Byadagi (16 May 2012)</td></tr>
<tr><td colspan="3"></td><td colspan="3"></td></tr>
</table>

2.1.10.3 Procurement of psychiatric drugs

As per the directives of the High Court of Karnataka (March 2006), the State Government was to make sufficient provision in the budget for the mental health of the citizens of the State, besides making all efforts to ensure that necessary medicines were available.

We found that the Deputy Director (Mental Health) in the Directorate of Health and Family Welfare furnished every year to the Society the requirement of psychiatric drugs to be supplied to the health institutions including PHCs/CHCs and the Society procured the drugs and supplied these to the health institutions. However, the requirement worked out by the Deputy Director had been ad hoc and not based on any need assessment. The availability of doctors in the health institutions, especially PHCs and CHCs, to treat psychiatric orders had also not been considered while working out the requirement.

The details of psychiatric drugs purchased by the Society during 2007-12 were as shown in **Table-2.16**:

Table-2.16: Details of psychiatric drugs purchased by Society during 2007-12

Year	No. of drugs projected by the Deputy Director for procurement	No. of drugs actually procured	Actual expenditure incurred (₹ in lakh)	Remarks
2007-08	Details not available	17	20.74	
2008-09	13	4	20.65	Only 4 drugs were available in the rate contracts
2009-10	13	11	88.36	Rate contract was available for all the drugs
2010-11	NA	Nil	Nil	Rate contract was available for all the drugs
2011-12	21	10	154.22	Only 10 drugs were available in the rate contracts

(Source: Information furnished by Society)

We found in the sampled units that the psychiatric drugs supplied by the Society had either largely remained unutilised or had been transferred to other institutions. The status of stock of these drugs in the sampled units including the transfer of drugs to other institutions is shown in **Appendix-2.3**.

Thus, though psychiatric drugs had been procured, their utilisation by the health institutions was dismal, defeating the very purpose of procurement of these drugs. The Government stated (December 2012) that the Deputy Director (Mental Health) would be asked to assess the needs of the health institutions depending on the availability of psychiatrists, trained doctors and the number of patients requiring such drugs.

2.1.10.4 Procurement of drugs with reduced shelf life

The RC for supply of drugs prescribed that all drugs should arrive at the district warehouses with a remaining shelf life of at least 80 *per cent*, failing which the drugs would be rejected. Further, the drugs nearing expiry period were to be replaced by the supplier with fresh stocks from the latest batch, if informed three months before the date of expiry.

We found that the warehouses received 7223 drugs costing ₹ 15.82 crore during 2007-12 with less than 80 percent of shelf life. Out of these, 1024 drugs had shelf life of less than 50 percent. Further, 87 drugs costing ₹ 35.30 lakh had been received with shelf life of less than 90 days (10-88 days). Though the warehouses immediately distributed these drugs to the health institutions, there was no feedback on timely utilization of these drugs by various health institutions within the very narrow shelf life of the drugs, apart from that in respect of expired drugs. Evidently, the controls for ensuring supply of medicines with sufficient shelf-life to the public functioned ineffectively. Further, there were no validation checks in the software developed to reject the supplies with reduced shelf-life. The Government stated (December 2012) that no drugs having shelf life of less than 80 per cent would be accepted without clear instructions and action was being taken to develop a suitable software to reject drugs with less than 80 per cent shelf life. The reply was not acceptable as drugs with reduced shelf life had been accepted in total disregard of the agreement.

2.1.10.5 Drugs procured at higher rates

The agreements with the RC holders provided that the rate quoted for the drugs, in no event, should be more than the lowest price at which the supplier sold his products of identical description to any other persons, State, Union territory, Corporation, Board, University, Trust, local authority, company or others including his own dealer, distributor, stockist, agent during the period of the currency of the RC. If at any time during the period of contract, the supplier reduced the sale price of such products to a price lower than the price quoted in the RC, he should notify such reduction or sale to the Additional Director and the price payable under the contract should correspondingly be reduced to the same extent as was sold to such others.

The Society had no mechanism in place to ensure that the rates at which the RC holders had been selling their products were the lowest and that the RC holders complied with the fall clause. We found that five firms having RCs with the Society had sold drugs of identical description during 2009-12 to other States at rates less than those quoted in the RCs, resulting in an excess payment of ₹ 76.81 lakh to these firms. The Government stated (December 2012) that the Society insisted that the supplier reduced the rates, if such instances came to its notice and this clause had been removed from the tender during 2012-13. The reply is to be viewed in the light of the fact that the society had no mechanism to detect such price variations after award of RCs and no action had been taken to assess and recover the excess payment made upto 2011-12.

2.1.10.6 Procurement of Auto Disable and Disposable Syringes

The Society procured 3.10 lakh and 3.85 lakh non-reusable auto disable/ disposable (AD) syringes from the RC holders during 2007-08 and 2008-09 respectively at a cost of ₹ 16 crore. AD syringes which became dysfunctional after single use had been preferred over the conventional disposable syringes for immunization in spite of increased cost ranging from 71 to 100 *per cent*, to prevent transmission of disease like HIV and HCV etc. The Society had also purchased 1.91 lakh conventional disposal syringes during this period at a cost of ₹ 98.79 lakh for regular use in the health institutions.

On expiry of the rate contracts, the Society invited (February 2010) tenders for AD syringes. However, the STC decided (March 2010) to reduce the tendered quantity of AD syringes by 80 *per cent* and procure in its place conventional disposable syringes. The Society issued necessary addendum to the tender notification. Meanwhile, following receipt of complaints alleging irregularities in the tendering process, a team of doctors constituted by the State Lokayuktha examined the syringes notified for procurement. In its report (May 2010) the team observed that AD syringe, besides being costlier by 100 *per cent*, had no added advantages and its procurement was contrary to the very objective of setting up the Society. The Society deferred the procurement of AD Syringes thereafter and procured only conventional disposable syringes during 2010-12.

Thus, there was no due diligence on the part of the Society before procuring AD syringes during 2007-08 and 2008-09 on a large scale. Though the AD syringe became dysfunctional after single use, the additional cost outweighed the benefit, especially in the context of scarce resources available to meet the multitude of health problems faced by the citizens. The Society, therefore, failed to strike a balance between sophistication and, need and in the process, ended up spending ₹ 7.02 crore more for AD syringes, which could have been better utilized to address more important health issues faced by the citizens. The Government stated (December 2012) that AD syringes had been deleted as they were not suitable even for immunization. It was further stated that procurement of AD syringes had been deferred on the basis of directions of the State Lokayuktha. The reply confirmed the findings that procurement of AD syringes was not justified as they had not been suitable even for immunization.

2.1.10.7 Procurement of drugs by health institutions and their utilisation

The district level and taluk level authorities had been delegated (April 2010) financial powers[1] for purchase of drugs and medicines urgently required against funds released out of 20 *per cent* of budgetary allocation. A Local Purchase Committee in the health institution was entrusted with the responsibility of inviting quotations on the basis of requirement projected by the Pharmacist and recommending the purchases for approval of the competent authority.

Scrutiny of the purchases made by the sampled institutions and utilization thereof during 2007-12 showed the following:

- General Hospital, Bailhongal and General Hospital, Ramnagara had not furnished purchase files for our scrutiny.
- While stock registers and records had not been maintained properly by CHC, Mallebennur, PHC, Kamthana and District Hospital, Bidar, there

[1] ₹ 5-10 lakh and ₹ 3 lakh per annum respectively

were also variations between the book balances of stocks of medicines and the ground stocks in these institutions.

- In 24 out of 63 health units (General Hospitals:9, CHCs:7 and PHCs:8), physical verification of stock had not been carried out at all.
- The warehouse at Davanagere supplied 27000 Chlorpromazine 25 MG Tablets to Chigateri Hospital, Davanagere on 4 February 2012. Scrutiny of the issue register of the hospital showed that 11500 tablets had been issued after the expiry date (31 March 2012). Another 40 units of Inj Dextrose 25 *per cent* which had expired on 30 November 2010 had been issued to patients of CHC, Harohalli during April to July 2011. The matter calls for investigation and stringent action against the officials responsible for the lapses.
- Two District warehouses and 11 health institutions held 31 drugs in stock for 1 to 65 months after their receipt. These drugs were allowed to expire without being used as there was no demand.
- In 12 health institutions, the percentage of non-utilisation of 79 drugs received between August 2010 to June 2012 ranged from 10 to 100 *per cent*. All these drugs were nearing expiry.
- In 14 health institutions, 90 drugs purchased during 2010-12 were found to be slow-moving as the percentage of utilisation ranged from 0 to 48 over a period of more than two years from April 2010 to July 2012.
- In CHC, Harohalli, stocks received from the warehouse and by way of transfers from other institutions had been taken to the Main Stores Ledger and, thereafter, the stocks had been shown as issued to sub-stores. However, the sub-stores registers had been written only on 3 November 2011, 10 December 2011, 13 March 2012 and 28 March 2012. No receipts and issues were entered in sub-stores registers for the period 2007-08 to October 2011. The utilization of drugs shown as issued to sub-stores was not, therefore, susceptible of verification.
- We inspected PHC, Janawada, a 24 x 7 unit on 13 June 2012 along with the Senior Pharmacist of DHO, Bidar. During inspection, the staff of the PHC including the Medical Officer were not present at the Health Centre except for one staff nurse, though six staff members had signed the attendance register. In the absence of the staff and the Medical Officer, the records of the PHC could not be verified.
- In PHC, Doddamaralawadi, the drugs/chemicals received from the district warehouse had been shown as issued to the patients on the same or next few days. A few illustrative cases are shown in **Table-2.17**:

Table-2.17: Illustrative cases of drugs received and issued

Name of the drug	Quantity	Date of receipt	Quantity	Issue date
Iron folic acid	2600	29.9.2009	2600	30.9.2009
Ergometrine Maleate	1400	2.9.2009	1400	3.9.2009
Folic Acid	38600	4.10.2010	38600	8.10.2010

(Source: Information furnished by the Society)

Further, no records in support of the issues made to the patients had been maintained in the units. In the absence of supporting records, the authenticity of the issues was not verifiable.

2.1.10.8 Levy of penalty

The RCs prescribed varying degrees of penalties for non-supply, partial supply and delay in supply of drugs ordered, besides cancellation of RC, black listing of suppliers and forfeiture of Earnest Money Deposits (EMD) and Security Deposits (SDs) without notice in case of delay of 90 days and above in supplies.

During 2007-08 to 2011-12, 826 purchase orders for supply of drugs valued at ₹ 13.14 crore had not been acted upon by the suppliers and no drugs against these purchase orders had been supplied as shown in **Table-2.18**:

Table-2.18: Details of purchase orders not acted upon

Sl. No	Year	Number of purchase orders not acted upon	Value of drugs not supplied (₹ in lakh)
1	2007-08	649	412.83
2	2008-09	99	584.07
3	2009-10	46	85.29
4	2010-11	28	188.59
5	2011-12	4	42.91
	Total	**826**	**1313.69**

(Source: Information furnished by Society)

In the case of another 2138 purchase orders placed during the same period, only 76 *per cent* of the value of drugs ordered had been supplied as shown in **Table-2.19**:

Table-2.19: Details of partial supply

(Value: ₹ in lakh)

Sl. No.	Year	Number of Purchase Orders	Value of drugs ordered	Value of drugs supplied	Balance value
1	2007-08	1453	30.05	17.26	12.79
2	2008-09	400	71.14	48.98	22.16
3	2009-10	89	62.09	48.97	13.12
4	2010-11	94	48.14	41.12	7.02
5	2011-12	102	49.58	43.10	6.48
	Total	**2138**	**261.00**	**199.43**	**61.57**

(Source: Information furnished by the Society)

We further found delays ranging from 91 days to 1785 days in supply of drugs costing ₹ 64.85 crore to various warehouses during 2007-08 to 2011-12.

The penalty recoverable in all these three cases aggregated ₹ 6.94 crore. Though, as per the annual accounts of the Society, a penalty of ₹ 2 crore had been recovered during 2007-12, the Society did not have the details of penalty recovered from individual suppliers against individual supply orders. As a result, the correctness of the penalties levied and individual cases where penalty had not been levied could not be determined. The Government stated (December 2012) that the range of delay indicated by audit was incorrect as the system reckoned the number of days from the date of the purchase order till the date on which report was generated. It was further stated that penalty for delayed supplies had been imposed. The reply was not acceptable as the Society did not have any other data to monitor the delay in supply of drugs and, in the absence of any such data and the details of penalties recovered so far, the adequacy of the penal measures taken against the defaulting suppliers could not be assessed in audit. Further, no action had been taken to rectify the system defect.

2.1.11 Quality assurance

The RCs for supply of drugs envisaged that the purchaser reserved the right to test each batch or batches selected at random from the consignment, either at the time of receiving the goods or at any time during the shelf life of the product, at any laboratory approved under the Drugs and Cosmetics Act and Rules, notwithstanding the routine sampling that might be carried out by the Drugs Controller and regulatory authorities. The actual cost of testing was to be deducted by the Society from the bills for supplies.

The Society had empanelled four[2] laboratories for testing of drugs during the period 1 April 2007 to 31 March 2009. The period was further extended by 6 months up to 30 September 2009 under the orders of the Commissioner, Health and Family Welfare.

After the expiry of agreements with these laboratories in September 2009, the Society empanelled another three laboratories for testing only from 1 December 2010. Thus, there was no in-house system in place for 14 months to provide quality assurance for the drugs procured from various sources. Further, no testing agency had been fixed for 48 essential drugs as none of the laboratories which had participated in the tendering process had the facilities to test these drugs. These drugs were evidently supplied to patients without testing. The Society did not furnish the details of tests conducted by the empanelled laboratories during 2007-12 and the results thereof and, as a result, we could not assess the adequacy of the tests conducted and the follow-up action taken by the Society on the test reports. While accepting that no quality testing had been done for 14 months, the Government stated (December 2012) that instructions were being issued to the warehouses to distribute the drugs only after receipt of test reports.

As per the rate contracts, the stock of any drug declared as "Not of Standard Quality (NSQ)" by the Drugs Controller or any other authority should be replaced by the suppliers. Further, the drugs which were nearing expiry (90 days) were to be replaced by the suppliers with fresh stock. In case of default, the Society was to forfeit the security deposit furnished by the supplier and in respect of the remaining damages, the Society was to take action under the existing laws to recover such loss and to blacklist the supplier.

[2] M/s. Teena Labs Private Limited, Hyderabad, M/s. Sophisticated Industrial Materials Analytical Labs Private Limited, Delhi, M/s. Standard Analytical Laboratory Private Limited, Delhi, and M/s.ITL Labs Private Limited, Delhi.

The Society did not furnish to audit the details of NSQ drugs and drugs nearing expiry which had not been replaced by the suppliers during 2007-10. However, the cost of such drugs not replaced by the suppliers in 28 cases during 2010-12 aggregated ₹ 1.03 crore. The Society did not furnish the details of action taken to forfeit the security deposit in these cases, blacklist the suppliers and recover the remaining damages, if any, by initiating appropriate legal action.

2.1.12 Non-disposal of NSQ and expired drugs

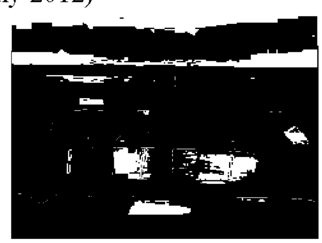
As per 'The Bio-medical Waste (Management and Handling) Rules 1998, discarded medicines and cytotoxic drugs (wastes comprising outdated, contaminated and discarded medicines) are to be disposed of either through incineration or destruction and or in secured landfills.

We found that 120.95 tonnes of NSQ/time-barred drugs had been lying in nine warehouses as of July 2012. Details in respect of six warehouses had not been furnished by the Society. Though the issue of disposal of the NSQ/time-barred drugs had been engaging the attention of the Society since September 2006 and necessary authorisation for disposal had been obtained from the Karnataka State Pollution Control Board, the NSQ/time-barred drugs had not been disposed of, creating storage problems in the warehouses. While the warehouses at Mangalore and Bangalore had stored these drugs in guard rooms and places meant for keeping antiseptic and disinfectant solutions, these drugs had been lying in other warehouses mixed with other drugs meant for distribution. A few photographs taken during our inspection of the warehouses are given below:

Bangalore Warehouse

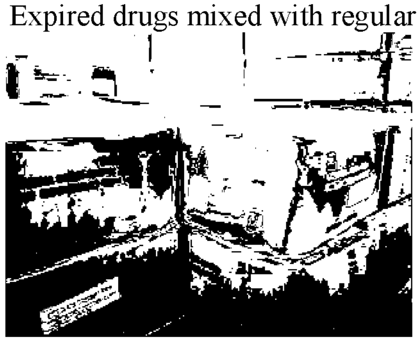
Guard Room (10 July 2012)

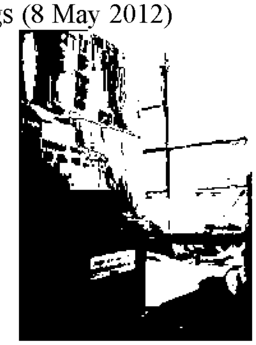
Room for keeping antiseptic and disinfectant solutions (10 July 2012)



Davanagere Warehouse

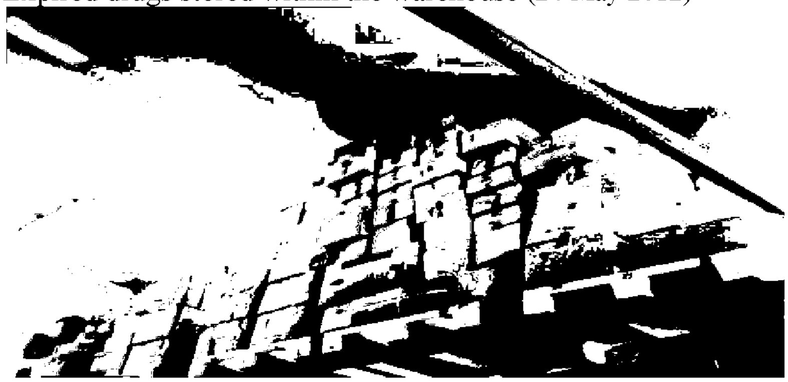
Expired drugs mixed with regular drugs (8 May 2012)





Belgaum Warehouse

Expired drugs stored within the warehouse (24 May 2012)



Gulbarga Warehouse

Expired/NSQ drugs stored within the warehouse (7 June 2012)

Mangalore Warehouse

Lizol room (26 April 2012)

Failure to ensure timely destruction of the NSQ/time-barred drugs exposed the warehouses to the risk of issuing these drugs inadvertently to various health institutions. The Government stated (December 2012) that the process of floating tender for disposal of NSQ/time-barred drugs was in progress and strict instructions would be given to the warehouses to store NSQ and barred drugs separately.

2.1.13 Maintenance of Warehouses

The Storage Manual for the maintenance of warehouses contained detailed procedures to be followed for storage of drugs. However, the joint inspection of the selected warehouses[3] showed the following omissions:

- Periodical inspection of electrical accessories and the buildings had not been conducted by the Public Works Department and the cylinders of the fire extinguishers had not been refilled since during 2005;
- The warehouse staff had not been trained in fire fighting;
- Large number of drugs belatedly received from the suppliers had not been taken to stock and had been lying in the entrance of the warehouses;
- There was no insurance either for the drugs stores or the warehouses;
- The warehouse at Davanagere did not have Troop Carrier for distribution of drugs to the health institutions; and
- The warehouses did not adopt automated track and trace system of bar-coding of drugs.

The Government stated (December 2012) that action would be taken to rectify the defects at the warehouse level.

2.1.14 Manpower

The salaries of staff working in the Society had been borne by the Government till March 2012. With effect from 1 April 2012, the Society had been meeting the expenditure on pay and allowances of its staff out of the grants provided by the Government.

Against the sanctioned strength of 83, the men in position in the Society as of July 2012 was 69. Against two posts each of Chief Pharmacist and Graduate Pharmacist, one post of Graduate Pharmacist remained vacant as of July 2012. The two post of Chief Pharmacist had also been filled up with Graduate Pharmacists. Though the Directorate of Health and Family Welfare Services had prescribed (September 2006) one post of Graduate Pharmacist, two posts of Pharmacists and one System Manager for each of the warehouses, the Government had not sanctioned these posts so far (July 2012). These posts were being managed by drawing personnel from the health institutions on deputation. Further scrutiny showed that 11 out of 14 warehouses were not managed by Graduate Pharmacists.

Further, though the Society had been using the Drug Distribution Management Software developed by KEONICS, Bangalore for managing the activities of drug procurement and distribution, it did not have a System Administrator to ensure safeguarding of assets, data availability, integrity and security. The data processing was done by staff outsourced by KEONICS. The Society did not have any IT policy to guide its IT initiatives and as a result,

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3 Bangalore, Belgaum, Davanagere and Gulbarga

- The duties and responsibility of IT staff and the procedures for segregation of duties etc had not been defined;
- The various control procedures for reporting, reviewing, reconciliation, access to data files, approving and controlling of documents had not been defined; and
- There were no formally defined access controls for physical and logical access to assets and records

Thus, the IT initiative had been implemented by the Society in an uncontrolled environment, posing risk to safeguarding of assets, data availability, integrity and security. The Government stated that (December 2012) that periodical assistance from the Department of e-Governance would be taken to have a safe database and its proper working.

2.1.15 Accounts of the Society

Our scrutiny of the accounts of the Society showed the following:

The Additional Director was responsible for maintenance of proper books of accounts for the funds received and expended by the Society. Although the Society came into existence during 2002-2003, no Cash Book had been maintained and the Society's accounts had been prepared on the basis of the Receipts and Payments register maintained.

Though the rules and regulations of the Society required the Additional Director to finalize the annual accounts, get these duly audited and place the audited copy of the annual accounts together with the auditor's report before the Governing Body for its approval within three months from the close of the financial year (30th June), this time frame had not been adhered to as shown in **Table-2.20**:

Table-2.20: Delay in placing the annual accounts before the Governing Body

Year	Date of approval by the Chartered Accountant	Date of approval by the Governing Council
2007-08	2-12-2008	21-02-2009
2008-09	2-01-2010	08-09-2010
2009-10	20-2-2011	14-09-2011
2010-11	26-05-2011	14-09-2011
2011-12	Not yet placed before Governing Council	

(Source: Information furnished by the Society)

As per the Rules and Regulations of the Society, the Additional Director is to file, on or before the 14th day succeeding the day on which the Annual General Council meeting is held, the accounts with the Registrar of Societies along with a list of Members of the Governing Council, a copy of the audited statement of accounts and a copy of the proceedings of the meeting. However, annual accounts for the period 2007-12 had not been filed with the Registrar so far (July 2012).

According to Rules and Regulations of the Society, the amendments to the Memorandum of Society should be done in accordance with the procedure laid down in the Karnataka Societies Registration Act 1960, and such amendments shall come into force from the date of approval by the Registrar of Societies. An amendment to the mandated activities of the Society enabling it to procure drugs required for implementation of schemes like NRHM, Akshara Dasoha, Ayush etc., had been approved by the Governing Council in February 2009 and representation had been made with Registrar for approval of the amendment. However, no approval had been given by the Registrar so far.

2.1.16 Monitoring

As per the bye-laws of the Society, the Additional Director should undertake inspections to ascertain the proper functioning of the warehouses and to ensure that the drugs reached the health institutions in time. The details of inspections conducted by the Additional Director were not furnished to audit. However, the Additional Director stated (August 2012) that inspections were conducted consequent on receipt of complaints from the health institutions and his support staff were conducting inspections as and when required. It was further stated that the inspections of the warehouses would be carried out by District Nodal Officer of the Health Department once a month. The reply was not acceptable as no periodicity had been prescribed for inspection by the Additional Director and the support staff, in the absence of which the inspections conducted were only reactive to the complaints received. As the inspection was ineffective, the warehouses had received drugs with reduced shelf life, accumulated huge quantity of NSQ and time barred drugs.

There was also no internal audit mechanism in the Society and its voluminous transactions had never been subject to any internal audit so far (July 2012). The Additional Director stated (August 2012) that one post each of Accounts Officer and Accounts Superintendent had been created in the Society and action would be taken to audit the accounts internally as suggested by audit. Non-establishment of the internal audit wing exposed the Society to the risk of financial irregularities, if any, remaining undetected. There was also no evidence of monitoring of the tendering and procurement processes which had witnessed inordinate delays at various stages and other irregularities.

2.1.17 Conclusion

The tender evaluation by the Society was flawed in many cases as many non-responsive tenders had been considered responsive and drugs had been procured from these non-responsive sources during 2010-11. Drugs procurement lacked planning, resulting in chronic delay in finalizing the rate contracts for supply of drugs. This resulted in non-availability of sources for procurement of drugs during the period March 2010 to October 2010. The exemption granted to the products of KAPL during 2008-12 lacked justification as their rates for drugs were far higher than those paid by other State Governments during the corresponding period. Procurement of drugs, especially IV fluids, had not been based on estimates of actual need. Drugs had been procured far in excess of requirement, creating storage problems in the warehouses and health institutions. While drugs with reduced shelf life had been procured, the quality assurance system was not effective.

2.1.18 Recommendations

We recommend the following:

- Procurement process should be transparent, strictly following the prescribed criteria throughout the process to award contracts for supplies;
- Procurement should be planned properly and procurement performance should be monitored regularly to ensure that tenders for supply of drugs are finalised timely and drugs are available as and when these are needed;
- Procurement should be based on reliable estimates of actual needs; and
- Procurement procedures/systems should include all assurances that the drugs purchased are of high quality.

Urban Development Department

2.2 Audit of Information Systems in Bangalore Development Authority

Executive Summary

The Bangalore Development Authority (BDA)'s vision was to use Information Technology (IT) and establish an integrated management system for its various business processes. The IT initiatives were also expected to enable the public to access every information they needed from BDA.

However, we found that BDA had not formulated any IT policy to guide its IT initiatives. The IT initiatives were disaggregated and did not factor in the wider picture and the potential need for future enhancement. BDA failed to follow the established system development practices and ended up developing several software packages without establishing a clear link to its key strategic priorities. BDA handled the software development unprofessionally and the value for money achieved by various IT projects was very poor. BDA's ineffective engagement of its stakeholders in the development of software, lack of clear vision of senior management of the IT initiatives and inadequate oversight of the implementation of these initiatives were key factors, resulting in failure of many of the IT projects undertaken. Improper management of the contracts of the vendors led to several financial irregularities. In particular, the core aims as per the vision statement had not been met.

The property tax, shop-rent and attendance management modules functional in BDA suffered from several flaws in design. We found several instances of inadequate application controls, lack of integration of various interfaces, adoption of adhoc and unauthorised procedures to rectify errors, inadequate security of databases, etc., which effectively meant that BDA had been relying heavily on these systems with all their existing flaws to conduct its business. These arose from insufficient governance, weaknesses in decision making and management in regard to software development. As a result, the IT controls functioning in BDA were not capable of ensuring safeguarding of assets, data integrity and their confidentiality. BDA needed to take immediate and appropriate steps to overcome these shortcomings and deliver a robust IT solution.

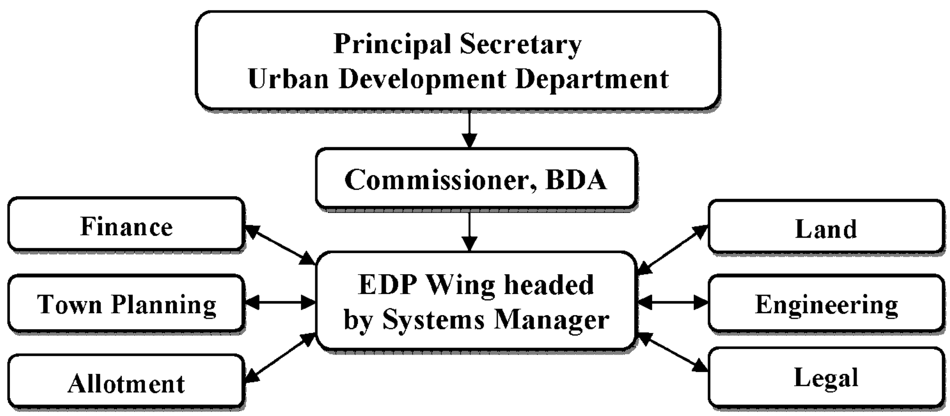
2.2.1 Introduction

Bangalore Development Authority (BDA) launched several e-governance initiatives during 2005-12 with the objective of providing transparent, accountable and efficient services to its stakeholders. The vision of BDA was to use Information and Communication Technology to achieve the following objectives:

- Common man's access to information;
- Establishment of an integrated system for online capturing of all revenues and expenditure and generation of reports;
- Deployment of online Complaints Management and Interactive Voice Response Systems;
- Establishment of systems for Project Management, Workflow Management, e-Procurement, Human Resources Management, Document Management and Executive Information Management; and
- Installation of kiosks catering to public needs like downloading of application forms, lodging of complaints, downloading of geographical maps etc.

2.2.2 Organizational set-up

Organisational Chart



BDA functions under the overall control of the Principal Secretary, Urban Development Department who is assisted by the Commissioner, BDA. The EDP Wing in BDA, headed by a System Manager reports to the Commissioner and acts as the centre for implementation of the e-governance initiatives in BDA including procurement of hardware and software and regular maintenance of the information system infrastructure in BDA.

2.2.3 Audit Objectives

We undertook this audit with the objective of ascertaining whether:

- BDA had formulated policies regarding its Information Technology (IT) initiatives and whether these policies had been directed towards achieving the objectives as per the vision statement;
- BDA had derived value for money from the information system projects implemented; and
- IT controls were adequate and working to achieve safeguarding of assets, data integrity, their confidentiality and availability.

2.2.4 Scope of Audit

We covered the IT initiatives undertaken by BDA from 2005-06 to 2011-12. We conducted audit from January 2012 to April 2012 by test-checking the records maintained at BDA's headquarters in the Finance Wing, the EDP Wing and the Law Section besides three out of four divisional offices. In the entry conference conducted on 29 May 2012 with the Principal Secretary, Urban Development Department, the scope of audit and the audit objectives were discussed. The audit findings were discussed with the Principal Secretary in the exit conference held on 12 October 2012. The report takes in to account the replies furnished by the Government to the audit findings.

Audit findings

2.2.5 Weak management controls

We found that:

- BDA had not formulated any IT policy for guiding its IT initiatives:
- the duties and responsibilities of the IT staff and the procedures for segregation of duties etc. had not been defined;
- the control procedures for reporting, reviewing, reconciliation, changes to computer programmes, access to data files, approving and controlling of documents had not been defined;
- there were no formally defined access controls for physical and logical access to assets and records; and
- the IT wing did not maintain any register or database showing the available inventory of information system assets, their costs, their ages, their locations, etc.

The absence of any IT policy resulted in non-existence of any mechanism to provide any direction to the IT and related activities. Thus, BDA implemented its IT initiatives in a totally uncontrolled environment. While accepting our findings, The Government stated (November 2012) that all the issues brought out by Audit would be addressed with care.

2.2.6 Software development

2.2.6.1 System Development practices not followed

The software and hardware infrastructure are to be developed through a systematic process involving the users and the development team. Best practices also prescribe the approach of a stage by stage deployment of applications to mitigate the risk of failure of the applications.

We found that BDA ignored the established system development practices while developing software application packages. The IT initiatives had been carried out without finalizing the AS IS documents of the existing system(s), without conducting a technical feasibility study of the proposed system and without finalising the system requirement specifications. The user acceptance testing had not been done in any of the packages developed. No formal change management process had been in place. No post-implementation reviews had been conducted. The Government stated (November 2012) that the audit observations were noted for guidance. Thus, lessons learnt from implementation of the previous packages could not be made use of while developing/procuring new application packages, leading to wasteful expenditure in many cases as discussed below:

2.2.6.2 Software packages developed by BDA

BDA developed/procured the following software packages as part of its IT initiatives as shown in **Table-2.21.**

Table-2.21: Details of software packages developed by BDA

Sl. No	Name of the software	Period of development	Cost of development/ procurement & name of the agency (₹ in lakh)	Status of utilisation (March 2012)
1	Computerized Works Management System (CWMS)	March 2005	26.92 / NCR Computers Limited	Not operational
2	Integrated Management Information System (IMIS)	May 2005	137.81 / HCL Technologies Limited	Not in operation except the property tax module
3	E-Pragathi Kiosks	November 2005	244.00/Ramky Infra Ltd.	Not operational
4	Document Management System (Scanning and indexing of files)	July 2009	63.03/ 3i Infotec and Mathenson Record Management (P) Ltd.	Under implementation
5	Attendance Monitoring System	May 2011	21.75 / KEONICS	In operation

As BDA had not identified its key strategic IT priorities, the IT efforts were disaggregated. The project planning lacked both detail and robustness and there was a failure to produce a single integrated plan representing all the tasks from across the individual work streams. Engagement with the stakeholders before embarking on these initiatives was not visible.

According to Section 10 of the BDA Act, the Commissioner is empowered to sanction any estimate or call for tenders or enter into any contract for an amount upto ₹ 50 lakh after complying with the requirements of the Karnataka Transparency in Public Procurement (KTPP) Act, 1999. Where the value of the contract or agreement exceeds ₹ 50 lakh, the previous sanction of the Government is required. The Act also requires that every such high value contract or agreement is to be signed by the Commissioner and sealed with the common seal of the Authority. However, we found that though the cost of projects such as IMIS, E-Pragathi kiosks etc was more than ₹ 50 lakh each, no approval from the Government had been obtained. Further, the agreements between BDA and the contractors had been signed by persons not authorized to enter into agreements, such as Public Relations Officer, System Manager etc. The Government stated (November 2012) that audit observations were noted for guidance. These deviations were indicative of blurred accountability and ineffective functioning.

(a) Computerized Works Management System

BDA undertook the development of a Computerized Works Management System (CWMS) for automation of transactions of the Engineering Department. The software was to help manage the works by creating a common database of works for the Engineering Department. BDA entrusted the software development work to NCR Consultants Limited, Chennai without inviting tenders. It also procured (March 2004) Oracle 9i server version with 10 user licenses at a cost of ₹ 1.09 lakh. Payments aggregating ₹ 26.92 lakh had been made to the company for developing the system and capturing the data in the Engineering Department during April 2004 to March 2005.

The Company handed over the software source code, operational manual, application user manual, training material and data to BDA in May 2005. BDA handed over (June 2005) these to HCL Technologies Limited (HCLT) which had been entrusted (May 2005) with the task of developing an Integrated Management Information System (IMIS). We found that BDA had neither updated the database thereafter and had also not used the software developed, leaving the expenditure of ₹ 26.92 lakh wasteful. While agreeing with our findings, The Government stated (November 2012) that HCLT abandoned the whole project without handing over all these data and BDA had not, therefore, been able to use the CWMS software. The reply was not acceptable as BDA made no efforts to integrate the CWMS with IMIS and its poor oversight of the development of the IMIS facilitated the abandonment of the project by HCLT (as discussed in Paragraph (b) below):

(b) Integrated Management Information System Project

BDA initiated the development of IMIS in January 2005 with the objective of automating business processes in various wings like Finance, Engineering, Law, Land Acquisition, Allotment etc. BDA awarded (May 2005) the work to HCLT for ₹ 3.15 crore with stipulation for completion within 10 months. While HCLT commenced work immediately, a formal agreement was entered into between BDA and the HCLT only in March 2006. The belated execution of the agreement gave HCLT an unauthorized and unjustified extension of time by 9 months as the time for completion was reckoned only from the date of agreement.

As per the agreement, the HCLT was to develop the IMIS consisting of 28 modules within a period of 10 months and provide necessary technical support for a period of 3 years at a cost of ₹ 1.78 crore, which included ₹ 0.82 crore towards the cost of supply and technical service of IBM DB2 software and another ₹ 0.55 crore payable to an independent agency to be identified by BDA for verification and validation of the modules developed by HCLT. BDA spent an amount of ₹ 1.38 crore on the project as shown in **Table-2.22**.

Table-2.22: Details of payments made by BDA for IMIS

Payment made to	Purpose	Amount paid (₹ in crore)	Date of payment
HCLT	Purchase of IBM software	0.82	28.5.2005
RelQ	software testing	0.11	7.10.2005
HCLT	Development of software	0.29	14.3.2006
HCLT	Development of Law and Acquisition modules	0.16	30.4.2009
	Total	**1.38**	

The inadequate oversight of the project and poor supplier management allowed the project to go on for longer than it should have, as discussed in the following paragraphs.

- ***SRS and design documents not mutually accepted***

The preparation of the system requirement specifications (SRS) and system design document was part of the contract for which a payment of 20 *per cent* had been envisaged. BDA paid (March 2006) ₹ 29.40 lakh to HCLT towards preparation of SRS and design documents. These documents were to define the detailed scope of the software development work. However, the SRS and design documents had not been reviewed for mutual acceptance by both the parties. The Government stated (November 2012) that the SRS had been prepared in isolation by HCLT without perceiving the concepts and work flow properly. The reply was not acceptable as it was silent as to why BDA had allowed HCLT to proceed with the software development without acceptance of SRS. As the development of the software flowed from the SRS, the defective SRS prepared by HCLT led to development of the software which failed to meet the requirement of BDA.

- ***Software procured had not been used***

BDA paid (May 2005) an amount of ₹ 81.51 lakh towards the IBM DB2 software licenses procured by HCLT for the implementation of the IMIS. However, the DB2 software had not been used in the development of the IMIS. Instead, IMIS had been developed in MySQL platform. The Government stated (November 2012) that HCLT failed to understand the requirements of BDA and procured many software without putting these to use. The reply was not acceptable as BDA had allowed HCLT to develop the IMIS without approving the SRS. This resulted in unnecessary procurement of 1BM DB2 software, rendering the investment of ₹ 81.51 lakh wasteful.

- ***Scope of work reduced without justification***

As per the agreement, HCLT was to develop 28 modules. However, BDA reduced (February 2009) the number of modules to eight[4]. In view of the reduction in scope of the work, BDA worked out the cost per module at ₹ 8,10,000 by dividing the development cost by 22. There was no documentary evidence as to how the factor of 22 had been used to arrive at the pro-rata cost per module and on what grounds BDA had adopted a uniform

[4] Legal, Land Acquisition, Allotment, Property Tax and Shop Rental, Town Planning, Engineering, Finance and Public Relations

development cost for each module without analyzing the development efforts required for different modules. No formal agreement had also been entered into with HCLT for incorporating this substantial reduction in the scope of the work. The Government stated (November 2012) that the number of modules had been reduced to eight as the SRS had been prepared by HCLT without understanding the requirement of the BDA and the workflow. The reply was not acceptable as the reduction glossed over the requirement of BDA, helped HCLT cover up its lapses and also diffused the accountability of HCLT. The reduction in the scope of work without levy of appropriate penalty was, therefore not justified. Further, against the revised scope of eight modules, only four modules developed by HCLT had been accepted by BDA and of these four modules, only one module viz., Property Tax and Shop Rental had been put to use.

- ***Testing agency identified without following prescribed procedures***

The software modules developed by HCLT were to be tested and validated before adoption by BDA in its production environment. BDA finalized (February 2005) a testing agency (Rel Q) for an amount of ₹ 55 lakh even before engaging HCLT for development of the IMIS software. The testing agency had been fixed without following the formal tender process.

BDA paid RelQ an amount of ₹ 11 lakh in advance on 7 Oct 2005 without even entering into a formal agreement and without obtaining any bank guarantee for securing the amount paid. Though ₹ 11 lakh had been paid, RelQ had neither furnished any testing plan to BDA nor tested any of the modules developed by the HCLT. BDA had also not taken any action to recover ₹ 11 lakh from RelQ or the persons responsible for the irregular payment. BDA finally accepted four modules (Land Acquisition, Allotment, Property Tax & Shop Rental and Law) developed by HCLT without getting these tested.

- ***Revocation of bank guarantee of HCLT***

HCLT was to furnish a bank guarantee for 10 *per cent* contract price at the time of signing the contract. Though HCLT executed the agreement in March 2006, it furnished the bank guarantee for ₹ 18 lakh only in April 2009.

HCLT was paid (March 2006) ₹ 29.40 lakh towards software development even before a bank guarantee had been executed. Another ₹ 15.90 lakh was paid in April 2009. The four modules developed by HCLT had been certified to be working satisfactorily by the Systems Manager, EDP cell of BDA without conducting any testing. HCLT informed (October 2010) that the development work as per the agreement had been completed and any changes required by BDA would have to be treated as a new contract. As HCLT had not fulfilled the contractual obligations, BDA proposed to blacklist HCLT and initiate legal action against it. Though BDA invoked the bank guarantee of ₹ 18.00 lakh in February 2011, it had neither obtained the source code, design documents, data migration strategy documents, training documents etc., from HCLT nor blacklisted HCLT.

- ***Law module not put to use***

The law module in IMIS had been developed to record legal opinions sought by various sections in BDA, input legal opinions given by lawyers appointed by BDA and track the status of various court cases. BDA accepted (April 2009) the Law module without testing and made a payment of ₹ 7.95 lakh to HCLT.

In May 2009, BDA proposed to implement an Interactive Voice Response System, which would enable BDA to track and monitor all the legal cases posted for hearing on different dates. After hearing the case, BDA was to be intimated of the status of the case by the advocates representing the case. BDA entrusted (May 2009) the work to Voice Tech Solutions Pvt Ltd for ₹ 1.55 lakh without inviting tenders. The work was completed in September 2009 and certified by EDP Cell of BDA to be working satisfactorily. A payment of ₹ 1.25 lakh was made during October 2009 for the package. However, this package had also not been put to use. There was also no interface in the website for the lawyers and the legal section staff to login. The Government stated (November 2012) that another application developed in-house was being used. The reply was silent as to why the earlier application had not been used. Further, we found that the data entry was still being done on the in-house application and the database was incomplete. Thus, BDA was yet to make the Law module fully functional inspite of incurring an expenditure of ₹ 9.20 lakh.

(c) e-Pragathi kiosks[5]

As part of its e-governance initiatives, BDA initiated the e-Pragathi Project in February 2005. The aim of the project was to provide the public, with access to information and to facilitate complaint registration, complaint monitoring, checking of the status of complaints etc. In addition, the project was to help downloading of digitised maps, different forms and a host of other materials relating to the activities of the BDA.

The project was considered the most ambitious customer-friendly initiative of BDA and was expected to enable the general public to access everything they needed or required from BDA at their doorsteps.

The work of construction of 20 e-pragathi kiosks had been completed during June 2007 at cost of ₹ 2.44 crore. However, BDA did not deploy these centers for delivering the intended services. On the other hand, it rented out these kiosks to Bangalore-One in September 2007. Thus, the project objectives remained unachieved. Further, though BDA had rented out these kiosks for the use of Bangalore-One at ₹ 185 per square metre, BDA had not raised any demand for dues aggregating ₹ 31.55 lakh (July 2012). The Government stated (November 2012) that action would be taken to demand and recover the arrears of rent.

[5] A small structure in a public place used for providing information or displaying advertisement often incorporating an interactive display screen

(d) Scanning and Indexing

The Karnataka Information Commission had directed (March 2009) BDA to complete the scanning and indexing of the records by July 2009 and report compliance. As a follow-up of this directive, BDA invited (July 2009) Expression of Interest to undertake scanning and indexing of files/records and selected M/s.3i-Infotech offering the lowest price of ₹ 71.50 lakh. The purchase order was issued in December 2009. The work consisted of pre-scanning activities, scanning, quality control, indexing and profiling, meta data entry, providing images and supply of Data Management System that would enable online retrieval of the image repository.

BDA entered into the agreement with M/s.3i Infotech only in June 2010, six months after the issue of the purchase order. At the time of submitting the tender, M/s.3i-Infotech had offered 10 *per cent* discount on the additional quantities beyond the quantity as per the tender. This had also been mentioned in the purchase order issued to M/s.3i-Infotech. However, in the agreement signed by the System Manager, the clause of discount had not been incorporated. M/s.3i Infotech stopped the work in February 2011 without completing it. The EDP wing reported (February 2011) that the contractor had not submitted a work plan and had also not demonstrated the functionalities of the Document Management Software, no acceptance testing had been arranged, the scanned images had not been indexed and training had not been imparted as per the agreement.

Thereafter, BDA entrusted (June 2011) the balance work to M/s.Mathenson Records Management Company Limited (second company) without inviting tenders in contravention of the procurement procedures prescribed in the KTPP Act. There was no documentary evidence as to how BDA had evaluated the credentials of the second company before entrusting the balance work to it. The rates agreed upon were the same as approved for M/s.3i-Infotech. As per the tender criteria used for selecting M/s.3i-Infotech, the bidders were to have CMM Level and ISO 27001 certifications. However, these had not been insisted upon while entrusting the balance work to the second company.

Further, the agreement had been signed on behalf of the second company by Mr.Alexander Mathen, who had been Director (Technical) in M/s.3i-Infotech. This unauthorised arrangement by BDA with the second company relieved M/s.3i-Infotech of the burden of 10 *per cent* discount on additional quantities of work. We found that against one crore pages of different sizes, M/s.3i-Infotech had completed 98.99 lakh pages. Thereafter, the second Company had scanned 37.71 lakh pages (June 2012) against the additional quantity of one crore pages. The loss to BDA on account of entrustment of the balance work to the second company aggregated ₹ 7.15 lakh.

The Government stated (November 2012) that M/s.3i Infotech was required to do scanning and indexing of only one crore pages as per the agreement (A4 size: 80 lakh pages, A3 size: 15 lakh pages and A2, A1, A0 sizes: 5 lakh pages). Against this, 98.99 lakh pages had been scanned and indexed till February 2011 (A4 size: 98.41 lakh pages, A3 size: 0.17 lakh pages and A2, A1, A0 sizes: 0.41 lakh pages). It was further stated that 3i Infotech had incurred loss as a result of huge reduction in the volume of A3, A2, A1 and A0 size pages and stopped taking further work. The balance work was, therefore, entrusted to the second company in order to continue the balance work without loss of much time. The reply was not acceptable for the following reasons:

- The second company which had been doing the work at the rates quoted by the M/s. 3i Infotech had scanned and indexed mainly A4 size pages (37.71 lakh) and the volume of A3 size pages was negligible (33796). This would imply that the rates quoted by M/s. 3i Infotech were workable and the question of loss having been incurred by M/s. 3i Infotech would not arise.
- The entrustment of the balance work in violation of the KTPP Act, to a company headed by a person who had earlier worked for M/s. 3i Infotech had been evidently done to make the offer of discount made by M/s. 3i Infotech on the additional quantities of work inoperative.

Though the second company was to do the scanning activities at the same rates of M/s.3i Infotech, the Commissioner approved (March 2012) enhancement of rates by 20 paise on all page sizes on the ground that the document management system had to be integrated with the paper-less office software and such integration required additional manpower and machinery. Scrutiny showed that the rates quoted by 3i Infotech included the cost of integration of the Document Management System with the server, network and other utility softwares. However, this condition had been removed from the agreement entered into with the second company. This exclusion paved the way for sanctioning extra 20 paise per every page scanned, resulting in a loss of ₹ 1.20 lakh (July 2012).

(e) Attendance Management System

BDA implemented a web-based electronic Attendance Management System (AMS) using biometric based application at its head quarters and divisional offices. The objectives of the AMS were to (a) eliminate proxy attendance; (b) increase accuracy of recording employee's attendance by matching finger prints; (c) automate computation of attendance; (d) make leave computation simple; (e) enable remote monitoring of attendance; (f) ensure accurate date and time stamp of attendance; and (g) provide input for pay calculation and increase overall efficiency of the organisation. BDA spent an amount of ₹ 21.75 lakh on the project developed by KEONICS, Bangalore. The deficiencies noticed in the AMS are discussed in the succeeding paragraphs. The Government agreed (November 2012) with the audit findings and stated that the findings were noted for guidance.

- ***Inadequate controls over attendance reader locations***

In the manual system of attendance, employees can mark their attendance only after reaching their designated place of work. As part of the AMS, bio-metric attendance readers had been installed at various locations in BDA's headquarters and its four divisions. We found that employees had been marking their attendance at readers installed in locations other than their designated work locations. Thus, the system facilitated marking of attendance even before the employees reached their work places, defeating the very purpose of attendance marking.

We found that 427 employees had logged in and logged out at different locations during February 2011 to May 2012. A few instances are as shown in **Table-2.23.**

Table-2.23: Different places where employees had logged in and logged out

Emp Ref code	Actual Place of work	Logged in at	Logged out at	Number of times	Place of residence of the employee
208	Head Office	Head office	RT Nagar	126	RT Nagar
263	Banshankari RO	Vijaynagar RO	Banshankari RO	87	Nandini layout
496	Head office	Banshankari RO	Head office	159	Kumaraswamy layout

When we reviewed the "On-duty Report" available in the system which listed out the employees on field visits, we did not find any data of these employees. There were also no specific authorisations allowing the employees to login and logout at different places. Further, the bio-metric attendance readers had not been placed at the entrance of the BDA's headquarters and its offices. While the readers had been kept at three places inside the BDA's headquarters, it had been placed in the corridors in divisional offices. The employees were free to login and logout at any place and there was no mechanism to watch the movements of the employees after logging in. Thus, the AMS failed to provide any assurance that the staff members logged in and logged out only at authorised work places.

- ***Absence of input controls and supervisory checks***

BDA operated two shifts, General (10 am to 5.30 pm) and Horticulture (8 am to 4 pm). However, all the employees had been assigned General shift in the AMS, though there were employees in the Horticulture shift. Further, there were about 29 employees in employee details table whose age was between 61 and 107. These lapses evidenced that the Master Data of employees had not been verified and corrected by supervisory personnel.

- ***The in-time and out-time not recorded in many cases***

Employee numbers are created in a serial order in employee master table. However, employee numbers 802 and 806 were found missing. These employee numbers were available in the attendance master table in 21 records though the first-in and last-out times had not been recorded in these cases.

The in-time and out-time had not been recorded even once for 816 records in the attendance master table. Reasons for this were not forthcoming.

- ***Employees not punching both in-time and out-time***

Though the employees were to punch both the in-time and out-time, they were not doing so. When in-time is not punched, the last-out time is taken as in-time and the system incorrectly calculates the late in-time based on this time.

Similarly, if the employee does not punch the out-time, his name incorrectly figures in the early-out report. In 35071 out of 233114 cases, first-in time had not been punched. In 89023 cases, last-out time had not been punched. Though there is an "Incomplete report" in the system to list employees who have punched only once, it does not serve any purpose as the supervisory authority would not know at what time the employee actually came or left in such cases.

- ***Wrong database entries***

In some cases, the first in-time and last-out time had been interchanged. For instance, the first-in and last-out times for employee with refcode 14 had been recorded on 04-03-2011 as 17:29:41 and 10:26:44 respectively.

As per the attendance master table, 10095 entries had been made manually. The manual attendance table was, however empty. BDA replied (July 2012) that attendance had not been edited manually and this appeared to be a coding error and the vendor had been directed to verify these.

- ***Unrealistic data***

There are no reports to list employees who have worked outside office hours. The Attendance master table indicated that in 63 cases, employees had worked between midnight and 8 am. In 359 cases, employees had worked between 6.30 pm and midnight. There was no documentary evidence regarding permission given in these cases to work beyond normal office hours.

Holiday master table had not been updated for 2012. The employees who had worked on holidays could not, therefore, be ascertained. Access control report created to check accesses to server room did not function.

- ***AMS not used to capture leave details***

Though the AMS was to simplify the leave computation of the employees, the system had not been used for this purpose. The relevant tables in the database had not been populated with any data.

- ***Reports not linked with pay roll preparation***

Though AMS had been developed in SQL-Server and designed to integrate attendance, leave and salaries, it was not linked to salaries paid to employees as the salary package was maintained in Foxpro and no mapping was done between the two data.

- ***Supervisory officers not provided access to AMS***

User access had been provided to use AMS only to two users (FDA-Establishment and Accounts Officer-Finance section) other than seven DEOs/Programmers of the EDP section. Regular monitoring of the attendance of the employees had not been done by the heads of various wings even after installation of biometric enabled AMS.

- ***Late attendance was not monitored***

Though AMS provided information on the date and time stamp of the attendance marking and generated reports on late attendance and early leaving, this information had not been made use of while preparing the salary bills and there was no mechanism for reviewing the late attendance and early leaving. Thus, salary bills of employees had been prepared overlooking the reports on late attendance and early leaving.

- ***Security risks***

The passwords were not encrypted. Two users had been given supervisory rights and they would be able to use other user ids as well, as the passwords were in clear text.

All users except one DEO had access to the screen to edit attendance. When edited, first-in and last-out dates are changed to 1-1-1900 in the database. The old values punched by the employee had not been stored in the database. Though there is an "Edited attendance report", one cannot view the old values.

2.2.7 Property Tax Module

2.2.7.1 Authority to levy tax

Section 28-B of the Bangalore Development Authority Act, 1976 authorises BDA to levy property tax on land or buildings or both, situated within its jurisdiction at the same rates at which such tax is levied by the Corporation within its jurisdiction. As per section 28-B(2), the provisions of the Karnataka Municipal Corporation Act, 1976 shall apply mutatis mutandis to the assessment and collection of property tax. BDA is also to collect the following cesses along with property tax, on behalf of other departments:

- Education cess
- Health cess
- Library cess
- Beggary cess

Section 112(3) of Karnataka Municipal Corporation Act, 1976 prescribes that property tax shall be paid by a person within sixty days after the commencement of every half year.

In case of default, the person liable to pay the tax is to pay a penalty at the rate of five *per cent* per annum of the amount of tax remaining unpaid. The penalty rate had been revised to two *per cent* per month effective from 1 April 2011.

2.2.7.2 Process for demand and collection of tax

Khatha[6] certificate is issued in the regional offices of the BDA whenever a site owner applies for it. A demand is then raised for property tax since the date of possession certificate in respect of the site allotted by BDA and the date of

[6] Khatha evidences recording of one's property in the books of the Government

registration in respect of sites in private layouts. Cesses are calculated at the rates applicable. Penalty is levied on arrears, if any. The property tax module of the IMIS developed by HCL Technologies Limited had been used by BDA since 2009.

When a khatha is applied for, the details of the property, the demand of tax for the year and arrears, if any, and details of the owner of the property are entered through the property tax module and stored in the database. A challan is generated for the property tax, cess, arrears and penalty on arrears based on this data. Three copies of the challan are made. The assessee makes the payment against the challan and keeps a copy of it with himself. The bank scroll along with the challans is received by the BDA headquarters which sorts out the challans and send these to the respective divisions. The details of these challans are entered in the database and physical challans are filed in the respective assessment files.

Online payments were introduced in January 2011. The front end for this purpose had been developed by the Corporation Bank. The required data is fetched from the database maintained in the BDA. The online payments are stored in a database by the Corporation Bank and are updated in the server of the BDA at the end of each day.

Challans are generated for all the existing properties in April of every year to raise the demand for property tax for the year.

2.2.7.3 Other processes relating to khatha

When a khatha is transferred, the details of the old owner are copied into the old owner details table. It is replaced by the current owner's details in the current owner details table. A challan is generated for the new owner.

When a khatha is cancelled, the details of the owner and the reason for deletion are recorded in the old owner details table. The record status of the record is made as 1 in the property header table to indicate it as an inactive property. The DCB statement ignores such properties while calculating the demand.

2.2.7.4 System and data analysis

We checked the Property Tax module and Shop-Rent module and analysed the data till 2011-12. We found the following deficiencies from our scrutiny.

Property Tax Module

	Audit Findings	**Risk faced by the BDA**
Application errors		
Absence of interface to capture necessary data	Site dimensions of a property cannot be captured	Property tax is calculated manually; errors due to human intervention pose a threat.
	No interface to record tax rates for vacant lands and buildings though property tax rate is different for vacant land/buildings	
	Date of registration and date of possession cannot be captured. Khatha creation date is stored as date of approval & date of registration	The correct property tax cannot be generated by the system.

	Audit Findings	Risk faced by the BDA
	Whether the property is BDA allotted or a private one is not captured	Private layouts have to be identified manually for levying khatha fee.
	The Transfer khatha module does not have fields to enter the new owner's name, new address etc.	One has to delete the old owner's details and type the new owner's details.
Non-validation of input data	Application allows entry of khatha creation date at a date much later than the current date, even of the year 2038. In 136 cases, date of entry of khatha was before the khatha created date.	The correct tax amount cannot be generated by the system.
	Application permits entry of date of payment which is much earlier than system date or much later than the system date, even of the year 5009. In 39279 out of 116463 cases, the year of payment was prior to 1900. In 357 cases, the date of entry of the payment is before the date of the payment. Of these 357 cases, the year of payment was later than April 2012 in 167 cases.	The correct collection figures for a month/year cannot be determined.
	Date of transfer/date of cancellation of khatha can be before date of creation of khatha	
	The application permits creation of another record for the same site. More than one record had been created for the same site in 1150 cases. In 970 of such cases, all the records were active (not cancelled).	Challans are generated for all records of the same site leading to fictitious increase in the annual demand of tax.
	In 164 cases, different records had been created for the same property by adding a dot and in 17 cases, by adding a zero to the site number.	The online module does not permit dots in site numbers. Hence, one cannot pay taxes for such sites online. Where the sites have 0 followed by the site number, the owner of the property may not enter the site number with a 0 and hence, cannot view the site.
	The application as well as the online payment system permits payments even for cancelled khathas.	
Data entry of essential details not made mandatory and supervised	Even when mandatory details like division, layout, sub-layout (where it exists) are not entered, a property record gets created. In 5 records, the division was not entered; in 7 records, circle was not entered; in 9 records layout was not entered; and in 73 records, sub-layout was not entered.	Since DCB is generated division wise, DCB in respect of such records are excluded. One cannot view such records in the front end.
	Recording of bank details has not been made mandatory. In 81146 out of 116463 cases, "paid at" field is empty.	Scope for using the database for bank reconciliation is reduced

	Audit Findings	Risk faced by the BDA
	Recording reasons for cancelling khatha has not been made mandatory.	The genuineness of the cancellation cannot be determined without verification of the physical files.
	The khatha can be transferred/ cancelled even when cancellation date is not entered. Date of cancellation was not available for 66 out of 514 cancelled khathas and in 468 out of 15921 transferred cases, date of transfer was not available.	This gives scope for manipulation in transferring and cancellation of khathas as arrears and demand amount can be edited while making the transfer.
	In 931 records, the property was transferred to the same person 2 to 10 times. 42 khatha records were deleted and created again with the name of same owner and property ID. 94 khatha records were deleted and created again with different property IDs. All these transactions had been done without the authorisation of superior officers.	
	Reviewing of approval details is not made mandatory while cancelling a khatha.	This gives scope for manipulation in cancellation of khathas.
Flaws in design of the module	The rate of cess is editable by the DEOs creating the khatha. Cess on the property tax was 34% till 31.3.2009 and since 1.4.2009, it is 24%. However, one finds cess ranging from 0 to 448 *per cent* in the challans generated (**Appendix-2.4).** While the cess had been short collected to the tune of ₹ 1.18 lakh, it had been collected excessively to the extent of ₹ 2.11 lakh.	Editing would result in levy of inappropriate cess rates.
	While creating a khatha, the user has to necessarily click on the "calculate cess" button to calculate cess and "calculate total" button to calculate the total tax to be paid.	If these buttons are not clicked after entering the amounts, the total amount to be paid would be 0.
	If khatha creation date is in the second half of the year, the system is designed to calculate 50% of the annual tax as demand. If no date is entered, khatha fees is calculated at 50% of the annual demand. Subsequently, if khatha date is entered which is in the first half of the year, one should click on the "total" button to calculate the correct demand. Else, only 50% of the tax would be taken as demand.	The challan would be wrongly generated and the origin of the error cannot be traced.
	While transferring a record or when the nature of property is changed from vacant to building or vice versa, the application exhibits the property tax, cess, arrears and	The challan would be wrongly generated and the origin of the error cannot be traced.

	Audit Findings	Risk faced by the BDA
	interest on arrears correctly. These interfaces also have the "calculate cess" and "calculate total" buttons, though not required. Accidental clicking of the "calculate total" button increases the dues by the annual demand. Penalty of 5% is also levied on the old arrears. If the date of transfer or date of change is in the first half of the year, the system calculates the demand at half of the annual demand.	
	Khatha reports→Update khatha payment menu is used to update the payments from challans received from banks. After entering the payment details in this module, the user has to click on "confirm payment" button. Ideally, when this button is clicked, the user should be asked once again for confirmation. Also, once the details are updated in the relevant tables in the back end, the button should be disabled or the input fields should be made empty. This would prevent unintentional clicking of the button by the user. However, payment records are created as many times as the button is clicked. In 445 cases, payments had been entered 2 to 6 times for the same challan, increasing the payments fictitiously by ₹ 716223.	Tax collection increases fictitiously. In some cases, this extra payment goes to set off the demand for the next year and relieves the property owner of the burden of paying tax.
	In the payment screen, the payment status i.e whether paid, unpaid or partially paid is chosen by the DEO and not recorded automatically.	Human intervention poses a threat
	The system does not re-confirm the transfer of khatha when clicked on the "transfer khatha" button. Accidental clicking of it creates a new entry in the backend and treats the khatha as a transferred khatha. Similarly, the cancel khatha module does not ask for confirmation while cancelling a khatha.	Inadvertent errors are possible
Errors in processing	Interest on arrears is calculated at 5 *per cent* without considering the age of arrears.	Short payment of interest is a bright possibility.
	An assessee is given 60 days time to pay the tax demanded. If he pays beyond this period, the application does not calculate penalty for belated payment while generating the challan for the next year.	Penalty would not be recovered.
	The period of 60 days is not deducted while calculating arrears.	Penalty is overcharged to that extent.

	Audit Findings	Risk faced by the BDA
	Even if partial payments are made, penalty is set to 0. In 5804 challans, though arrears is greater than ₹ 100, the penal interest was 0.	Penalty is short levied to that extent.
	One has the option to increase or decrease the arrears in the Arrears Adjustment Module. We observed that both the options when chosen, only decrease the arrears.	Arrears is decreased even where it has to be increased; arrears is, thus, understated.
	The amount entered as khatha creation fees is not printed on the challan though there is a separate field to capture the information.	Currently, the khatha creation fee is included manually in the challan which could be left out inadvertently. Also, this amount does not enter the DCB report.
Lack of provision for viewing and editing	One cannot view and edit the payments already made for a challan.	Editing of wrong payment entries is not possible
	One cannot view a property where the sub-layout information is not available.	Sites in a layout which does not have a sub-layout cannot be viewed unless some "dummy" value is stored for the sub-layout.
	There is no provision to edit the name of the owner of a property in case of data entry errors in spelling, initials etc. This should have been provided under a supervisor's login id after a formal approval process. For instance, a khatha had been created in the name of Sri Krishnamurthy for the property at Arkavathy X block, site no 784. A khatha transfer had been made in the system to change the name to Sri Ramaprasad, the actual allottee. The DEO of North Division explained that a khatha transfer had been done to correct the khatha details which had been wrongly generated in the name of the allottee's father.	The data entry operators currently use the khatha transfer module to rectify data entry errors in owner's details. In such cases, unless the physical file is examined, one would not know if a property is really transferred or the khatha transfer has been made only to correct data entry errors.
	The khatha to be transferred or cancelled cannot be searched using by khatha no. property id or site no.	One has to list all the sites within a division-subdivision-layout group and then select the particular site.
Lack of provision for generating reports	There are no reports for challans generated and payments made/not made for a property.	Monitoring of payments is difficult.
	No reports exist to display cess demanded and collected	The cess collected and to be paid to the Government is being worked out manually by the Accounts wing.
	The khatha→query module displays the details of a cancelled khatha also but does not display the status as cancelled. Further, though there is a report to display cancelled khathas, it does not function.	Cancellation of khathas cannot be monitored.
	Though there is a submenu to list transferred khathas, the reports do not get generated.	Transfer of khathas cannot be monitored

	Audit Findings	Risk faced by the BDA
	List of private layouts and properties handed over to BBMP are not available.	Property tax not paid for such properties cannot be monitored
	One cannot get the history of owners of a property.	Physical files need to be referred to
Flaws in database design		
Foreign key	There is no relation between the master table storing division details and the table storing the khatha details. There were 5 records with division id 0 and 86 records with division id 1 which did not figure in the divisions table.	The details of these properties cannot be viewed in the front end. The DCB of these properties do not get reflected in the DCB report.
	There is no foreign key between Arrears adjustments table and Challans table. One can delete the challan no and enter some fictitious challan no in the Arrears adjustment module. The amount in these challans would, however, reduce the arrears in khatha table. In 265 cases, the challan No. was 0. In 14 cases, the challan No. was not found in challans table.	One would not be able to trace the challan through which payment had been made in such cases. The risk of fictitious payment entries is very high.
	There is no foreign key between Payments table and Challans table. Payments had been made in 827 cases through challans which were not found in the challans table.	One would not be able to trace the challan for which payment had been made in such cases.
Redundant data	The challans table stores again details like owner's name, address etc though they are already available in the owners table.	Data redundancy and unnecessary occupation of database space.
Others	There is no separate field to store the opening balance of arrears. Instead, the annual demand along with the arrears is stored in the arrears field of the khatha table.	One cannot obtain the actual arrears from this field.
	The table storing details of previous owners has a field named "Newownerid" which is a misnomer since it holds the data of the old owner of a property.	
Integration between various interfaces		
Front-end and back-end	The front end is designed to generate challans only once a year apart from creating a challan during a khatha transfer. However, challans had been generated more than once for the same purpose in the same year (**Appendix-2.5).**	When another challan gets printed for the same property in the year, the annual demand of the first challan is wrongly treated as arrears.
	In one test-checked case, payment entries had not been made in the system; the paid challans were also not available in the physical files. The package however displayed that all payments had been made.	Tax is shown as collected though it is not actually so.

	Audit Findings	Risk faced by the BDA
Online database and BDA's database	When a transaction is already made for a challan, one cannot make payment for the same challan online. However, a duplicate online transaction had been observed for the challan No: 182378 (property id 4312040989) for an amount of ₹ 7676. This amount was, however, shown as arrears in the next challan created (challan No: 205344) and it was paid with interest on 18.1.2012.	Integrity of online payments becomes questionable.
	Payment made online is available in the online database of the Corporation Bank but not available in BDA's database in 66 cases.	Such payments have not been accounted for.
	Some online transactions are not reflected in the application used by DEOs though they are updated in the backend. In 236 cases, where it had come to the notice of a DEO that a payment had been made online but was not reflected in the front-end, the DEOs had re-entered these details through the front end, creating double entries in the backend and increasing the payments made fictitiously by ₹ 385878.50.	Short collection of tax due.
Database and physical files	In the database, payment of ₹ 1135 had been made vide challan No:131966 for the property id 6000002141 (North division, Byrathi, site no 298). In the physical file, payment for the same amount was available on a challan with No:131223 and property id 6000001855. The name and address of the assessee were, however, correct. In the database, the property id 6000001855 corresponded to Banashankari VI stage, IV block, site no 2580. The challan No:131223 corresponded to property id 3320130345 (Banashankari IV block FE, site no 883). Similarly, challan No: 75080 was available in the physical file for property id 2062. However, this challan was generated for the property id 2080 in the database.	Integrity of the data becomes suspect.
	There was a delay in the data entry of payments made in the database. The delay ranged from 1 to 491 days (delay was calculated in 34161 cases where the date of payment was in correct format and was between 1.4.2010 and 31.3.2012)	There was a mismatch between the collection figures in the database and the actual collections
	Data entries of some payments had not been made. The next challan generated indicated arrears even when payment had	There was a mismatch between the collection figures in the database and the actual collections

	Audit Findings	Risk faced by the BDA
	been made. Wherever it came to the notice of DEOs, this challan was edited and the amount in the challan reduced to the actual amount to be paid. In some cases, payments had been made for the increased demand.	
	As per the database, the site at Arkavathy IX Block 265 had been transferred from Narayanappa VM to Jolly JK. The details of this transfer was, however, not available in the physical records.	Mismatch between the physical files and the database.
	In the physical file, site of property id 4312081367 had been transferred to Syed Sameer Ahmed from Vinaya Ravi Kumar. However, the property continued to be in the name of Vinaya Ravi Kumar in the database	Database not updated.
	The property with property id 530 was "cancelled" as per the database. However, there was no indication of cancellation of khatha in the physical file.	Integrity of the data becomes suspect.
Accounts and the software program	From 1.4.2011, penalty is 2 *per cent* per month. However, the system continued to calculate penalty at 5 *per cent* per annum.	There is a shortfall in the demand and collections.
Security issues		
Login ids	There is no separate login id for the authority approving the khatha, editing khatha details, cancelling and transferring khathas.	The module is being used by the 4 divisions of BDA and every user logs in with the same user id "property". Further, every division has access to the data of other divisions. The DEOs having access to this login id can cancel and transfer khathas and edit master data without permission of competent authority. No one can be made accountable in case of errors/irregularities.
In-built hierarchy	The system does not have an in-built hierarchy even for editing payments, editing, transfer and cancellation of khathas. All transactions are done by the DEOs.	
Use of Super user id	Ideally, even a DBA should use a non-DBA id to perform operations other than DBA operations to avoid accidental damage to data. However, no user ids have been created other than the superuser id used by the DBA.	Any inadvertent errors while using the superuser id could cause serious damage to the data in the database.
Backend intervention	Where a property is transferred/cancelled after 2009, details of previous owner are copied into another table programmatically. However, details of previous owners had not been captured in 4806 out of 16443 transferred/ cancelled cases.	One cannot trace the previous owners. Further, one cannot check if an applicant for a site had been allotted a BDA property earlier and had transferred it subsequently.
	Where the record status of a record in Arrears adjustment table is 1, that record becomes "inactive". The adjustment	Editing the records at the backend provides scope for irregularities.

	Audit Findings	Risk faced by the BDA
	amount in such cases does not get displayed in the DCB report. However, there was no interface in the front end through which a record can be made inactive in the Arrears adjustment table, implying that records had been edited in the backend. The record status of 434 out of 3397 records in Arrears adjustment table was 1.	
Audit Trail	Though many of the tables in the database provide for capturing the user-id making data entry/changes, this feature is not being used. Instead, static values are being entered as user ids.	Users making unauthorized changes cannot be made accountable in this scenario.
	The challans can be displayed in MS-Word and edited.	Any inadvertent change of the figures in the challan would result in the printing of challans with errors. Also, there would be no audit trail of such changes made.
Errors due to adoption of adhoc procedures		
To rectify multiple printing of challans	When it comes to the notice of a DEO that challans have been printed more than once for the same property in an year, the DEO adopts one of the following methods to rectify this error : a) Makes changes in the actual payments made as if the owner has paid the inflated amount. b) Makes changes in the actual payments made as if the owner has paid the amount in the challan. c) Uses the arrears adjustment module and treats the differential amount as arrears of previous years. d) While transferring the khatha to another person, the DEO rectifies this error by editing the arrears field and transfers khatha to the same person and during the process, enters the correct amount so that a new challan is created with the correct amount, and edits challans manually to indicate the correct amount	The collections as per the database will be grossly at variance with the actual collections.
Creation of multiple records to rectify errors instead of reporting the errors and getting them rectified in an authorised	A property has to be transferred using the khatha→transfer menu. This would keep a backup of old owner's details and replace the old owner's details with the current owner's details. In some cases, this procedure was not followed. The DEO created another record with the new owner's details by adding a 'Dot' with site number as 3. in the name of Francis Selvaraj.	Demand continues to be generated for both the persons for the same property. Property tax cannot be paid online for the property with site number 3. as the online system does not permit dots in site numbers.

	Audit Findings	Risk faced by the BDA
manner	In the East division, in a few cases when the property details were not displayed in khatha view module, another khatha with a different property id for the same property had been created.	Demands are raised for both the properties and reflected in DCB.
	In Kanakashree Kannur village (North division), sites were released in two phases. However, sites had been given the same number in both the phases and there was no indication in the site number to indicate the phase. Such records had been created in 243 sites. To differentiate the sites, the DEO had created one site with just the number and another site with a dot (eg 3 and 3.).	The Annual demand is fictitiously increased by the annual demand of the "extra" properties created. Also, one cannot list out properties with the same number in a layout. Further, online payment for sites with dots is not permitted.
Arrears adjustment module not utilised	In some cases, where arrears are paid, the payment details are entered in the payments module instead of Arrears adjustment module.	Since there is no option in the DCB to separate the current years' collections from the earlier years, the entire amount is shown as collections against the current year's demand.
Change in nature of property	In some cases, the nature of the property (from vacant to building and vice versa) is not changed through the module designed for the purpose. Instead, another record is created for the same property with a different property id.	Demands will be raised for both the properties.

2.2.7.5 DCB Report

The flaws in the programme code written to generate the DCB report and in other modules as discussed above lead to errors in the DCB report. In addition, we found the following deficiencies in generating the DCB Report.

- The DCB is generated always for the current date and not for the month asked for. One can choose to generate DCBs even for future months; the DCB would, however, be generated as on date.
- There is no time schedule prescribed for the divisions to generate the DCB. As a result, each division generated DCB at different dates for a month.
- When DCB reports are generated, values like annual demand, collection etc are stored in the DCB table at the back end. However, DCB reports generated by four divisions during 2007-12 were, however, not available at the back end. It was not clear whether DCBs had not been generated for these months by the divisions or records had been deleted at the back end.

2.2.7.6 DCB reports submitted by the Regional Offices

The DEOs generate the DCB reports every month and save these in an excel file.

In the West division, the balance and the collection at the end of each month is taken from the database and the demand is reverse calculated.

In the North division, the demand is taken from the DCB module while collection figures are totalled from the challans manually and included in the DCB report.

In the East division, the property tax module is not used for generating the DCB report. The figures of demand and collection are obtained from the back-end by the EDP Cell.

Thus, each division had adopted its own method of generating DCB reports and failed to follow a standard procedure.

While preparing the balance sheet, the Accounts section takes the collection figures from the bank accounts. The demand is taken from the DCB reports given by the divisions and the balance calculated.

The DCB report does not reflect the cess demanded and collected. Cess for the balance sheet is arrived at from the actual collections of property tax by doing a reverse calculation. The "actual cess collected" thus calculated is subtracted from the property tax demand figures given by the divisions to arrive at the property tax demand for the balance sheet. In view of these irregular practices, there was huge mismatch between the figures as per the database, those furnished by the divisions and calculated by the Accounts Section. The demand for property tax, collections and outstandings during 2010-11 and 2011-12 as per the database, reports of the divisions and the Balance Sheet were as shown in **Table-2.24**.

Table-2.24: Details of demand for property tax, collection and outstandings

(₹ in lakh)

Head	Amount as per database (where khatha not deleted)		Amount as per the Divisional offices		Amount in Balance sheet/ledger	
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
Income from property taxes(Demand)-including cess	74.67	465.46	470.31	724.76	470.31	724.76
Cess payable	14.01	86.01	--	--	93.34	131.67
Collection during the year			495.40	733.53	482.26	680.30
Based on dates on which property tax was paid	232.32	383.22				
Based on data entry of these payments	401.73	644.03				
Sundry debtors-property taxes	Cannot generate	369.49	341.54	333.01	55.63	144.29
Sundry debtors-Interest due from property tax	Cannot generate	12.51	--	--	10.96	14.05

In this scenario, the amounts adopted in the Balance Sheet as regards the property taxes were suspect and highly unreliable.

2.2.8 Shop Rent Module

This module is used to input, edit and view data for BDA shopping complexes, shops in the complex, update shop payments, prepare and print challans, create cess and DCB reports. The lacunae in this module are tabulated below:

Lacunae in Shop Rent Module

	Audit Findings	Risk faced by the BDA
Application controls		
Absence of input controls and supervisory checks	Allotment date can be a date after the current date even of the year 2030.	Demand cannot be raised correctly.
	Amount paid is 0 in 4 cases. In two of these cases, amount paid is entered in paid at field.	
	Payment details had not been entered correctly in some cases. For instance ₹ 17494 had been paid by shop No. GF-22, Nagarbhavi Complex through challan No: 18323. The corresponding payment entry in the database exhibited this amount as ₹ 238882. Shop No2 of RMV Shopping Complex had paid ₹ 10,000 through challan No:16118 but this had been wrongly entered as ₹ 1,00,000 in the database.	Since there is no provision to edit a wrong entry in payment, changes are made in the next challans manually.
	Payments had been made more than once in respect of the same challan No. in 3 cases (challan Nos. 11958, 18465 and 18475). In the last two cases, payments had been made both online and through bank; the shop ids were different for online and bank payments for the same challan.	
	Payment dates after the system date had been entered in 3 cases	
Vital details not captured	The rent of the shops is fixed based on its dimension. However, these details are not captured in the application	It is impossible to use the software for calculating rent.
Delay in data entries	Payment details are not entered regularly. For instance, only one payment had been updated in the database for shop no 3, HBR Shopping Complex. Challan details are not available for this shop after April 2011.	
	Sometimes, payment details are not entered against the challans through which payments are made. Instead, these are bunched and one single entry is made.	The database cannot be used to calculate interest on arrears. Also, monthly reconciliation is not possible.
Errors in application design	The shop allotted date is taken as the date of record creation instead of system date	There is no audit trail of when a record was created.
	Shops can be created with numbers as 1 & 2 or 1, 2 etc instead of the details being entered for individual shop numbers. (For eg., RMV Shopping Complex, shop no 12 & 16 with shop id 7249.)	• Searches for details of one of these shops cannot be made. • This would lead to errors when a particular shop is to be vacated or changes regarding payments are to

	Audit Findings	Risk faced by the BDA
		be made only for one shop. • Also, the online payment system does not allow entry of ampersand, comma or space in the shop numbers. Hence, online payment cannot be made for shops having these characters.
	If the user changes the allotted date but does not click on the button "calculate the renewal date", the renewal date does not get changed.	Inadvertent errors cannot be avoided.
	The status of a challan needs to be selected and updated manually when making a payment.	If this is not done, the status is shown as not paid even if paid.
Viewing & editing	The user has an option to choose the division as well as the shopping complex from drop down boxes to view the details of the shopping complex. However, when both the fields are chosen, the result is blank. If only division is chosen, results are displayed.	
	Some shopping complexes are not displayed in the list when the division is chosen. For instance, Banshankari Shopping Complex and RT Nagar Shopping Complex though available in the database as well as the drop down box are not displayed.	
	The no of shops in some of the complexes are also displayed wrongly. For instance, The number of shops as per the database is 36 in HBR and 17 in RMV but the number of shops in both these shopping complexes is 50 in the front end.	
Updation of records	The vacancy of shops is not being updated regularly. Shop no 66 of RT Nagar Shopping Complex had been vacant since March 2011 but was not updated as vacant in the database.	The database cannot be relied upon for management of vacant shops and their leasing.
	Challans are not generated for all the months. Challans are also not sent to the shop owners. A print out of the challan is given when a shop owner requests for it in the Regional Office.	Arrears and interest on arrears will not be calculated correctly by the system in the next challan generated.
Absence of reports	There are no reports for (a) Shops which have not paid rents (b)Shops which are vacant and can be auctioned (c) Demands and payments for a shop	Monitoring the rent collection is rendered difficult.
Audit trail	There is no audit trail for the transactions made as the same login id is being used by all the DEOs. Also, some tables store static values for "created by" and "updated by" fields	Users making unauthorised changes cannot be made accountable.
	Whenever a challan is generated, an entry is made in the shop challans table. However, in some cases, challans generated were available in physical files but not in the database.	

	Audit Findings	Risk faced by the BDA
	Challans can be edited in MS-Word before being printed	The changes are not traceable unless every challan is checked with the database
	Sometimes the demand in the challan is edited to the amount in the cheque or DD. For instance, in the case of shop Nos. FF-43 (BP Jyothi), GF-5(Huchappa V), GF-3 (Corporation Bank) of Nagarbhavi Shopping Complex , interest on arrears and service tax had not been levied in the challans.	The demand will be less than the requirement.
	The challan date is not stored in the back end.	One cannot trace when a challan was issued. The issue of challans could be manipulated.
	The shop rent payment table stores the payment date as the record created date.	One would not know when the data entry was actually made. This could facilitate manipulations.
	The bank details are not collected. Cheque, DD details are not collected even when payments are made through these instruments.	No reconciliation can be made with the help of the application.
Database issues		
	There is no foreign key relationship between shop challans table and shop detail table.	Challans can be generated for shops which do not exist
	There is no foreign key relationship between shop payment detail and shop challans table	Payments can be made for shop ids which do not exist in the shop challans table
	There is no foreign key relationship between shopping complex detail table and division master table. Three shopping complexes had been created with division id as 1 though there is no division with division id as 1 in division master table. Records for 36 shops had also been created in these shopping complexes in the shop detail table and challans generated till November 2009. Subsequently, records have been created again for these shops with correct division ids. They had also been assigned new shop ids. However, the record status of the old records continued to remain "active". Two demands were generated for both the ids in June 2009 and November 2009	Excess raising of demand based on incorrect database
	The shop payment detail table stores the shopping complex name, division name of the shop though these are already available in the table shop detail	Redundancy in data storage
Mismatches between various interfaces		
Online system & BDA's database	Shop number GF-22 , Nagarbhavi Shopping Complex had paid challan No. 21630 but was exhibited in online as not paid	
Database & Physical file	In the front end, Challan no 8957 had been displayed for shop no 22, Koramangala Shopping Complex. In the physical file, the same challan was available for shop number FF-43 of Nagarbhavi Complex.	

	Audit Findings	Risk faced by the BDA
Accounts & application	Service tax had been reduced from 12.36% to 10.3% from February 2009. However, the cess report exhibits service tax at 12.36 % even for December 2010. A dummy shopping complex was created with shopping complex id as 385. The cess report lists only shop No. 2&3 and not shop No. 1 of this complex.	
Report generation		
DCB Reports	There is a provision to generate DCB report for a particular month for a particular shopping complex. However, there is no menu where the DCB report generated can be viewed. The DCB report for BDA as a whole cannot be generated nor viewed. DCBs are prepared by DEOs in Excel in North, West and South divisions and in Dbase in East division. In the Excel sheets, the amount does not include interest on arrears. Interest on arrears is, however, shown in the DCB abstract sent to BDA.	

2.2.9 Monitoring

In our audit, we found that monitoring of the implementation of various IT initiatives was very weak and BDA had ceded much of its authority to the System Manager of the EDP Cell, who had failed to exercise the level of oversight required for proper functioning of the information systems. We also found that the EDP Cell did not provide adequate and correct information periodically to the top management which hampered appropriate decision making to set right the shortcomings noticed. This had resulted in persistent overlooking of the controls essential to safeguard the IT assets and maintain data integrity.

2.2.10 Conclusion

Overall, BDA handled the software development unprofessionally and the value for money achieved by the various projects was very poor. The key factors leading to the failure of the projects could have been prevented with better management of the well known issues. BDA's inadequate oversight of the projects, lack of clear vision of senior management and lack of effective engagement of the stakeholders led to disaggregated IT initiatives which failed to provide a better and clear link between the projects and the BDA's key strategic priorities. Improper management of contracts of the vendors resulted in several financial irregularities. In particular, the core aims as per the vision statement had not been met.

The property tax and shop-rent modules functional in BDA suffered from several flaws in design of database. We found instances of inadequate application controls, lack of integration of various interfaces, adoption of adhoc and unauthorised procedures to rectify errors, inadequate security of the databases etc., which effectively meant that BDA had been relying heavily on these systems with all their existing flaws to conduct its business. This, situation arose from insufficient governance, weaknesses in decision making and management, in regard to software development. As a result, the IT controls presently functioning in BDA were not capable of ensuring safeguarding of assets, data integrity and their confidentiality.

2.2.11 Recommendation

We recommend that:

- BDA should formulate its IT policy to guide its IT initiatives. While doing so, it should evaluate the systems developed, take early steps to rectify the deficiencies in these and plan any improvements required. Future solutions need to be built keeping in mind the wider picture and the potential need and ability to scale up for future enhancement.
- The softwares already developed cover several individual areas with different ways of working which inhibits the development of one common management system. It is, therefore, important that BDA evaluates the systems already developed, integrates these and consider development of a single database solution, if possible, after identifying the causes and illustrating the risk for the success of the future initiatives; and
- BDA redefine what it delegates to the System Manager, requiring increased reporting to the Commissioner. In the long term, the IT policy, that the BDA may have to evolve, effectively addresses these issues to ensure that policies, procedures and daily operations contribute to achieving the BDA's vision and goals.

Revenue Department

2.3 Leasing of properties by the Department of Hindu Religious Institutions and Charitable Endowments

2.3.1 Introduction

Under the Karnataka Hindu Religious Institutions and Charitable Endowments Act, 1997 (Act), the State Government had notified the list of all charitable and Hindu religious institutions in the State. There are 34220 notified institutions, which are classified on the basis of their incomes as Group A, B or C temples and administered as per the provisions in the Act. Many of these institutions have movable and immovable properties, which either belong to them or had been given or endowed for their support. The Act provides that the State Government may lease these immovable properties provided that the leases are in the interest of the institutions. The other conditions governing the leases are prescribed in the Act as well as the Karnataka Hindu Religious Institutions and Charitable Endowments Rules, 2002 (Rules).

2.3.2 Organizational set-up

The Secretary, Revenue Department (Disaster Management) was responsible for overall administration of the notified institutions at the State level. The Department of Hindu Religious Institutions and Charitable Endowments (Department) was headed by a Commissioner who was assisted by a Deputy Commissioner (Muzurai properties) and seven[7] Assistant Commissioners (ACs) at the district level. The ACs were assisted by 50 Executive Officers (EOs) attached to the notified institutions. The EOs were responsible for maintaining primary records such as register of immovable property, auction register, Demand-Collection-Balance register etc at the institution level.

2.3.3 Audit objectives

Our audit of leasing of the immovable properties of the notified institutions centered on the following three objectives:

- whether the Department had inventorised its properties and drawn up plans for their proper utilization, keeping in view the interest of the notified institutions;
- whether the Government approved the leases consistent with its guidelines and the provisions in the Act and Rules; and
- whether the existing enforcement procedures were being followed to ensure timely and accurate payment of lease rent.

[7] Bangalore Rural, Bangalore Urban, Bellary, Belgaum, Karwar, Mangalore and Udupi

2.3.4 Audit scope and sampling

The scope of our audit undertaken during January 2012 and March 2012 covered the leases granted or renewed by the State Government during 2007-12. We reviewed 244 out of 354 leases by test-checking the records at the Government Secretariat, three out of seven ACs and 17 out of 50 EOs. We selected our sample on the basis of simple random sampling and assessment of risk.

Audit findings

2.3.5 The Department did not have an inventory of the properties of the notified institutions

Section 31 of the Act which came into force from 4 May 2011, envisages the following:

- The Government may, by notification, appoint an Endowment Survey Officer and as many Assistant Endowment Survey Officers as may be necessary for the purpose of making survey of all the properties of the notified institutions in the State;
- The Endowment Survey Officer shall submit his report in respect of the properties of every notified institution to the Government;
- On receipt of the report, the Government shall publish the list of property of all notified institutions in the official Gazette;
- On publication of such list, every notified institution shall maintain a register of movable and immovable properties of the institution and submit it to the prescribed authority for approval; and
- After approval of such register, the Committee of Management or Trustees or the EO shall scrutinize the entries in the register every year and submit to the prescribed authority, a verified statement showing the alterations, omissions or additions required in the register for approval.

Rule 25 mandates every notified institution to maintain a property register and requires the Chairman of the institution to send a statement of any additions and deletions to the AC for verification at the end of every financial year. The AC is to verify the statement with reference to the property register every year by physical verification and to send a copy of the statement to the Deputy Commissioner and the Commissioner.

We observed that no survey of the properties of notified institutions in the State had been conducted so far (March 2012). None of the sampled units had maintained property registers. The Commissioner also did not have a list of movable and immovable properties of all the notified institutions in the State. Further, there was also no documentary evidence in sampled units in support of any physical inspection of the properties by the ACs. Absence of a database of the properties of the notified institutions and absence of physical verification of the properties facilitated large scale encroachments of the immovable properties belonging to these institutions.

As of March 2012, 836 acres and 5 guntas of lands belonging to the notified institutions had been encroached upon as shown in **Table-2.25:**

Table -2.25: Details of lands of notified institutions encroached upon

Grade of notified institutions	No of notified institutions having land	Area of land (acres and guntas[8])	No of institutions the lands of which had been encroached upon	Area of land encroached upon (acres and guntas)	Districts where lands had been encroached upon on a large scale (acres-guntas)
A	165	2634-38	20	114-06	Ramanagara (39-07 acres), Kodagu (33-16) and Bangalore (11-24)
B	287	2461-02	17	48-11	Bangalore (31-30 acres) and Chitradurga (14-10)
C	2653	12019-27 ½	298	673-28	Hassan (491-03), Kolar (67-33), Shimoga (30-17) and Chickmagalur (24-28)
Total	**3105**	**17115-27 ½**	**335**	**836-05**	

(Source: Information furnished by the Commissioner)

The Commissioner was in possession of only the State level information and did not have the details of (i) how long these lands had been encroached upon (ii) individual cases of encroachments (iii) action taken to evict the encroachers and restore the property to the notified institutions. As the immovable properties of the notified institutions had not been surveyed and inspected periodically, the possibility of more encroachments than what had come to light cannot be ruled out.

We observed that 3 acres and 2 guntas of prime land belonging to Sri Banashankari Devasthana, Bangalore had been unauthorisedly occupied by lorry owners for the last 15 years. Though the Department had proposed (March 2007) to evict the unauthorized occupants and construct a Kalyana Mantapa and a commercial complex, it had not sent any proposal to the Government in this regard (March 2012).

In another case, prime land measuring 5.25 acres belonging to Sri Ranganathaswamy Temple, Devenahalli, Bangalore Rural district had been under unauthorised occupation for the last 60 to 70 years. Though Deputy Commissioner, Bangalore Rural district had ordered (September 2006) eviction of the unauthorized occupants, five occupants running non-vegetarian hotels had not been evicted even six years after the Deputy Commissioner passed orders for their eviction. AC, Bangalore Rural who was responsible for eviction of the unauthorised occupants and recovery of damages from them had not taken any action in this regard (March 2012).

The Government stated (November 2012) that a survey wing had been established in the Department and a Committee headed by the Deputy Commissioner had been constituted in each district to survey the properties of

[8] 40 guntas make one acre

the notified institutions and find out the encroachment of the properties. It was further stated that while the district committees had surveyed the properties of 1003 institutions, the Department had completed survey of properties of another 64 institutions. The Government, while agreeing to take action to complete the survey of the properties of the remaining institutions, stated that action had been taken to evict the encroachers as per law.

2.3.6 Strategic Planning

Strategic management covers planning, policy, organisational culture and strategic initiatives which are broader in scope and vision than the specific operational practices. Strategic management requires that processes, structures and systems all embody the strategic goals of the organisation. Section 31 of the Act provides that any alienation or transfer of land or other immovable property by way of lease should be in the best interest of the notified institution.

We observed that the Department had not drawn up any strategic plan specifying the goals and objectives to use the land and other immovable holdings in the best interest of the notified institutions and to generate, at the same time, revenue and achieve financial security. The strategic planning should be aimed at providing clear directions on how to use the assets, which the notified institutions managed, to help the Department reach its long term vision. We found that the Department primarily focused on the short-term strategy of leasing out its properties when someone approached it for lease. The Department did not have an asset management plan, which is a critical tool used by successful estate managers to meet the long term goals. Our scrutiny showed that prime land measuring 255205.49 square feet (sq ft) in Bangalore and another 5.25 acres in Devanahalli belonging to eight notified institutions valued at ₹ 204.47 crore (as shown in **Table-2.26**) remained unexploited.

Table-2.26 : Details of prime land remaining unexploited

Sl. No	Name of the notified institution	Location of the land in Bangalore	Area in sq ft	Guidance value (₹ in crore)	Potential monthly lease rental value (₹ in lakh)
1	Sri Siddalingeswara Swamy, Yediyur, Bangalore	Nandini Lay out	13206.82	2.97	1.32
2	Bandi Shesamma Chattra, Bangalore	K.G. Circle	12708.00	16.52	6.61
3	Sri Raya Raya Kalyanamantapa, Bangalore	K.R. Road	28675.00	17.21	6.88
4	Sri Banashankari Temple, Bangalore	Banashankari	132858.00	73.07	31.89
5	Sri Dodda Basavanna Temple, Bangalore	Basavanagudi	40371.52	16.15	9.69
6	Sri Sampangi Ramaswamy Devasthana, Bangalore	Cunningham Road	24813.65	16.13	6.20
7	Sri Raghavendra Anjaneyaswamy Temple, Bangalore.	Malleswaram,	2572.50	1.16	0.77
8	Sri Ranganathaswamy Temple	Devanahalli	5.25 acres	61.26	7.35
Total			**255205.49 sq ft & 5.25 acres**	**204.47**	**70.71**

(Source: Information furnished by the Commissioner)

The Government agreed (November 2012) to prepare the strategic plan to provide clear directions for the use of immovable properties and leasing of properties at fair market value.

2.3.7 Property leases

2.3.7.1 Framework for leasing of properties

We found that Government had not formulated any policy or guidelines till October 1980 for leasing of properties/buildings belonging to the Muzrai and religious institutions. The Government revisited these guidelines in September 1990 and modified the rates of goodwill, the period of lease etc., the Government finally enacted the Karnataka Hindu Religious Institutions and Charitable Endowments Act, 1997 (Act) and framed the Karnataka Hindu Religious Institutions and Charitable Endowments Rules, 2002 (Rules). Both the Act and the Rules came into force on 1 May 2003. An overview of the framework for leasing of properties belonging to the temples and other religious institutions is given in **Table-2.27.**

Table:2.27 Framework for leasing of properties

<table>
<tr><th>Subject in brief</th><th>Provision as per Government guidelines of September 1990</th><th>Provisions as per the Rules with effect from 1 May 2003</th></tr>
<tr><td>Lease of vacant land to private persons</td><td>All leases of immovable properties to be given by inviting offers after giving wide publicity.
Lease to be given to the persons offering the highest bid.</td><td>All leases to be made by public auction after calling for objections and giving wide publicity.</td></tr>
<tr><td>Collection of non-refundable goodwill from the lessee</td><td>The lessee to pay goodwill additionally at the following rates with effect from 11 April 2001 (₹per sq metre)
<table>
<tr><th>Locality of the property</th><th>Commercial purpose</th><th>Public purpose</th></tr>
<tr><td>Corporation area</td><td>600</td><td>300</td></tr>
<tr><td>Population between 10000 and 1 lakh</td><td>300</td><td>150</td></tr>
<tr><td>Population less than 10000</td><td>150</td><td>50</td></tr>
</table></td><td>To be paid by the lessee at the rates in force</td></tr>
<tr><td>Lease period</td><td>5 years</td><td>Maximum of 20 years for vacant land and 5 years in case of buildings, shops and residential houses</td></tr>
<tr><td>Rate of rent</td><td>Based on the highest offer received</td><td>Rate of rent reserved for auction not to be less than the prevailing market rate of rent in the locality</td></tr>
<tr><td>Revision of monthly rent</td><td>5 per cent every year</td><td>To be enhanced by 5 per cent every year</td></tr>
<tr><td>Advance rent</td><td>Six months' rent to be collected at the time of execution of lease deed, adjustable at the end of the lease period.</td><td>No change in the provision</td></tr>
<tr><td>Interest on belated payment of rent</td><td>No provision in the guidelines</td><td>18 per cent per annum where rent is not paid by the fifth of the succeeding month</td></tr>
</table>

2.3.7.2 Leases violated the guidelines and the Rules

(a) We found that 52 leases had been granted by the Government during 1991-2010 without inviting offers or conducting auctions in disregard of its own guidelines of September 1990 and the Rules. The extent of land involved in these cases was 1.31 lakh square feet (sq ft) valued at ₹ 52.59 crore. The details are given in **Appendix-2.6.** Large scale bypassing of the procedure prescribed for grant of lease evidenced lack of transparency.

(b) The maximum period of 5 years from September 1990 and 20 years from May 2003 prescribed for granting lease had been relaxed by the Government without justification in the following cases:

- Land measuring 45000 sq ft and 40372 sq ft belonging to Sri Dodda Basavanna Temple had been leased during August 1991 and October 1992 respectively to B.M.Sreenivasaiah Educational Trust for 30 years for construction of a hospital and residential quarters for staff;
- Land measuring 10836 sq ft belonging to Sri Karanji Anjaneya Temple had been leased to B.M.Sreenivasaiah Educational Trust for 50 years during November 1997; and
- Land measuring 7916 sq ft belonging to Sri Mallikarjuna Swamy Temple had been leased for 30 years in December 2009 to Sri Samputa Narasimhaswamy Sri Subramanya Matt.

(c) Non-refundable goodwill aggregating ₹ 51.81 lakh (**Appendix-2.7**) had not been collected in 128 leases as of March 2012, extending unauthorized concession to the lessees.

(d) Though lease agreement was to be executed by the lessee and the lessor and got registered by the lessee, lease agreements had not been entered into in respect of 111 leases (**Appendix-2.8**). Enforcement of the conditions of lease was, therefore, not feasible in these cases.

(e) Though the Rules prescribed levy of interest at the rate of 18 *per cent* per annum for belated payment of monthly rent, interest aggregating ₹ 66.01 lakh had not been recovered in five test-checked cases by the EOs (March 2012).

(f) Six month's rent aggregating ₹ 5.33 lakh payable by the lessees in advance at the time of execution of the lease deeds had not been collected in 12 cases. In another 111 cases, advance collection of six months' rent could not be enforced as lease agreements had not been entered into with the lessees.

(g) According to Rules, no property situated near the institution was to be leased out to non-Hindus. However, two shops measuring 1392.76 sq ft belonging to Sri Kukke Subramanya Devasthana had been leased to non-Hindus during March 2011.

(h) Though running of a bar, non-vegetarian restaurant, liquor or wine shop or live band on the leasehold property was strictly prohibited by the Rules, lease had been granted to Oza Wines for setting up a liquor shop in the premises of Bandi Shesamma Chatra, KG Road, Bangalore. Though the lease period expired in December 1982, the lessee had been continuing his business unauthorizedly in the premises by paying a paltry rent of ₹ 410 per month. Similarly, another lessee (Vijaya Enterprises) sold non-vegetarian food in the shop located in the premises of Sri Karikal Anjaneya Swamy Temple located on Mysore road (March 2012).

2.3.7.3 Grant of leases and their administration

Sound estate management requires the use of detailed current market data to evaluate lease proposals and determine the best strategies and processes to deal with diverse leases.

We reviewed 244 leases which three ACs managed and specific cases where we found inconsistencies in grant of lease including fixation of lease rents and shortcomings in administration of leases as discussed below:

(i) Sri Rama Mandir Trust, Bangalore

One acre and three guntas of inam land in Survey No.29 of Jakkasandra village had been endowed to Sri Kodi Anjaneyaswamy Temple, Seshadripuram, Bangalore. The Government had leased (February 1974) 3136 square yards (28224 sq ft) of these lands to Sri Rama Mandira Trust for a period of 99 years for a monthly ground rent of ₹ 100. The lessee was to construct a Kalyana Mantapa and a students' hostel on the leased property with the approval of the Commissioner within three years from the date of execution of the sale deed. The lessee was also to make available the Kalyana Mantapa to the temple free of cost for not more than 12 days in a year, not exceeding three days at a time.

The lessee violated the terms and conditions of lease and converted the property into a commercial hub by constructing two Kalyana Mantapas and letting out one of them for commercial activities including accommodation of a leading restaurant in the premises. No students' hostel had been constructed as per the terms of lease. Though the Commissioner was to approve the plan and estimate for the Kalyana Mantapa, the lessee failed to obtain approval before constructing the two Kalyana Mantapas. The Kalyana Mantapa had also not been made available to the temple free of cost for 12 days in a year and the EO had also not insisted on the same. As per the report of the AC, Bangalore Urban sent to the Commissioner in October 2007, the title of the leasehold property had also been irregularly transferred in favour of the lessee during August 1974 by Tahshildar, Bangalore North taluk. The violations of the terms and conditions of the lease came to the notice of the Department only in November 2006 during inspection of the property by the Joint House Committee.

Based on the report (August 2008) of the Commissioner highlighting the violations, the Government ordered (January 2009) cancellation of the lease. The lessee filed (February 2009) a case in the Court of the Additional City Civil Judge, Bangalore, seeking permanent injunction restraining the Department from dispossessing the Trust without following due process of law. The Court directed (October 2011) the Department to seek possession in accordance with law. However, the Department had not taken any action to take over the property from the lessee (March 2012).

We observed that the Commissioner, at the time of reporting the violations to Government in August 2008, himself had assessed (August 2008) the ground rent payable for the property at ₹ 1 lakh per month. Against this, the lessee had been paying a paltry ground rent of only ₹ 100 per month while making huge profits from the commercial activities. The concession extended to the lessee during 2007-12 on the basis of ground rent assessed by the Commissioner aggregated ₹ 60 lakh. While the lessee had not paid the non-refundable goodwill of ₹ 15.74 lakh, it gained another ₹ 50 lakh by not making available the two Kalyana Mantapas for 12 days every year during 2007-12.

Out of one acre and 3 guntas of inam land endowed to the temple, only 28224 sq ft had been leased to the temple, leaving a balance of 18603 sq ft. Of this, 75 sq.m. had been unauthorisedly occupied by nine persons.

The Government stated (November 2012) that damages at the rate of ₹ one lakh per month would be claimed from the lessee in the proceedings filed under the Public Premises (Eviction of unauthorised occupants) Act, 1971 (PPA) and the unauthorised occupants of 75 sq m. would also be evicted as per law.

Thus, the lessee continued to enjoy the leasehold property for a significant number of years and make huge profits by exploiting the property for commercial use and paying only a nominal rent to the Department.

(ii) BMS Educational Trust

We found that the Government had approved four leases during different periods in favour of the Trust and these leases involved land measuring 1.15 lakh sq. ft. belonging to one temple viz., Sri Karanji Anjaneya Swamy Temple. In three out of four leases approved after the Government guidelines of 1980, no public offers had been invited before approving the lease. In these three cases, unjustified concession had been extended by the Government either in the form of longer period of lease than permitted by the guidelines or fixation of rent lower than the market rate. The details are as under:

(a) Government leased (July 1973) 35451 sq ft of land to the trust for 50 years up to November 2023 for a nominal monthly rent of ₹ 1000 per month.

The Trust had encroached upon 10836 sq ft of adjacent land belonging to the same temple and built a canteen and auditorium. As there was no access to the land encroached upon except through the leased property, the Government regularized (November 1997) the encroachment by leasing out the adjacent land to the Trust for 50 years up to 2023 and fixing a nominal rent of ₹ 1 per sq ft from November 1973 to December 1996 and ₹ 4 per sq ft from January 1997 onwards. The Government also ordered recovery of goodwill at the prescribed rates and annual increase of ground rent by 5 *per cent*.

We found that the demarcation of land measuring 35451 sq ft covered by the lease of July 1973 without providing access to the land beyond was illogical and irrational as it facilitated not only the encroachment of the adjoining land by the lessee but created the ground for the lessee to get the encroached portion also leased in its favour. We also found the lease period of 50 years fixed for the adjacent land to be irregular as the Government violated its own order of September 1990 which had prescribed a maximum period of only five years for the lease. As a result, the Department lost the opportunity of revising the rent on the basis of market rates at the time of renewing the lease every five years. Irregular fixation of the lease period facilitated extending unauthorized financial benefit of ₹ 1.09 crore to the lessee. Further scrutiny showed that the Department had not entered into any lease agreement for the adjacent land and also not raised any demand on the Trust so far. The Trust had also not paid either goodwill or ground rent for the additional land leased by Government. As of March 2012, the dues from the Trust towards goodwill and ground rent aggregated ₹ 1.13 crore.

(b) The Government leased (1991) another 23715 sq ft of land to the same Trust for a monthly rent of ₹ 2500 without inviting any public offers. During the renewal of the lease from June 2004 to June 2009 and from June 2009 to June 2011, the Government fixed (June 2005 and July 2009 respectively) a nominal monthly rent of ₹ 40,000 for the property against ₹1.90 lakh at the prevailing market rate of ₹ 8 per sq ft in the locality. Similarly, while renewing (December 2011) the lease further for a period of 5 years up to June 2015, the Government fixed a monthly rent at ₹ 1 lakh against ₹ 4.74 lakh at the prevailing market rate of ₹ 20 per sq ft. Fixation of a lower rent resulted in unauthorized concession of ₹ 1.92 crore to the lessee during 2007-12.

(c) Without inviting public offers, the Government approved (August 1991) lease of 45000 sq ft of land to the same Trust for a period of 30 years (against five years prescribed) for a monthly rent of ₹ 1000. The lessee constructed a hospital on the leased land as per the terms of lease. Had 45000 sq ft of land been leased to the Trust as per the prescribed procedure, the lease period would have been only 5 years and monthly rent would have been enhanced every five years based on prevailing rates. Failure to do so resulted in a loss of ₹ 2.30 crore during 2007-12.

(iii) BMS Nursing Home

The Government approved (December 1972) the lease of 5000 sq ft of land belonging to Raya Raya Choultry, Bangalore for 30 years in favour of Dr.Chikkananjappa for a nominal rent of ₹ 1 per sq ft for construction of a nursing home. The Government renewed (October 2003) the lease for a further period of 15 years against 5 years prescribed under the Rules, thereby losing the opportunity of revising the ground rent on completion of the lease period of five years. The Government also retained the monthly rent of ₹ 1 per sq ft instead of revising it to ₹ 6 per sq ft on the basis of the prevailing market rate.

While EO, Raya Raya Kalyana Mantapa, Bangalore informed (October 2010) AC, Bangalore Urban that the lessee had let out the second floor to medical students and the rent for the property as per the prevailing market rate was ₹ 4 lakh per month, AC, Bangalore Urban apprised (November 2010) the Commissioner of the position. However, no action had been taken against the lessee for violating the conditions of lease.

Thus, the lessee exploited the leased property for unauthorised commercial use and evidently made huge profits. This was facilitated by the unjustified action of the Government in retaining the nominal rent of ₹ 1 per sq ft at the time of renewing the lease and renewing the lease for 15 years instead of 5 years. These lapses of Government resulted in a loss of ₹ 52 lakh during 2007-12.

(iv) Sri Vidya Mandir Education Society, Bangalore

In respect of lease of vacant land measuring 4752 sq ft granted to Sri Vidya Mandir Education Society, Bangalore for 30 years during October 1989 for a monthly rent of ₹ 15500, the Department had not demanded 10 *per cent* increase in monthly rent every five years as provided in the agreement and the shortfall in recovery aggregated ₹ 6 lakh. In respect of another two leases of vacant land sanctioned to the same Society (1336.50 sq ft and 3312.50 sq ft), the lease periods expired in July 2005 and September 2005 respectively. However, these leases had not been renewed and the lessee had been paying monthly rent at the old rate of ₹ 7 and ₹ 4 per square respectively.

During April 2005, the Commissioner reported to Government that the Society had encroached upon 4232 sq ft of land adjoining the already allotted land and constructed buildings unauthorisedly. The Commissioner recommended to the Government for leasing out the land encroached upon for 10 years from October 2004 for a monthly rent of ₹ 30 per sq ft. The Government sought (March 2006) a report from the Commissioner as to why the Department had failed to take action against the Society for encroachment. Although the Commissioner again recommended (January 2010) to the Government for regularizing the encroachment, the Government insisted (January 2011) on the Society vacating the school from the land encroached upon. However, no action had been taken either for restoring the property to the Department or assessing the cost of damages recoverable from the society for unauthorized occupation (March 2012). The cost of damages recoverable as per the Rules amounted to ₹ 76.18 lakh on the basis of the monthly rent of ₹ 30 per sq ft recommended by Commissioner for regularizing the unauthorized occupation.

The Government stated (November 2012) that the extension or otherwise of the leases was being examined and damages would be claimed in appropriate proceedings.

(v) Sri Samputa Narasimhaswamy Sri Subramanya Mutt, Bangalore

Without conducting public auction, the Government approved (August 2007) lease of 5000 sq ft of land belonging to Sri Mallikarjunaswamy Temple for a period of 30 years (against 20 years prescribed by the Rules) to Sri Samputa Narasimhaswamy Sri Subramanya Mutt, Bangalore for a nominal rent of ₹ 2 per sq ft. During December 2008, the Government exempted the lessee from paying even this nominal rent till completion of construction of building on the vacant land though the lease rent was to be recovered from the date of commencement of the lease period as per the Rules. The lessee requested (November 2009) for additional land measuring 2916 feet belonging to the same temple and the Government approved (December 2009) the lease of this additional land. The revised lease period of 30 years was fixed from

November 2009 and the nominal rent of ₹ 2 per sq ft fixed already was also reduced to ₹ 1 per sq ft.

Further, while fixing a nominal monthly rent of ₹ 1 per sq ft, the Government overlooked the recommendations of the EO and AC, Bangalore Urban for charging a monthly rent of ₹ 10 per sq ft. The concession extended to the lessee during 2007-12 alone on the basis of the rate recommended by the AC aggregated ₹ 39.90 lakh without factoring in future increases in the market rates.

The Government stated (November 2012) that action would be taken to review the lease by complying with the provisions in the Rules.

(vi) Sri Agamatraya Mahamandali, Bangalore

In respect of a lease of land and building (2925 sq ft) approved (December 1976) by the Government in favour of Sri Agamatraya Mahamandali, Bangalore for 30 years, the lessee requested (April 2007) for renewal of the lease for another 30 years. After renewing (April 2010) the lease for 10 years (against 5 years permitted by the Rules) from April 2007 for a monthly rent of ₹ 20 per sq ft, the Government revised (April 2007) the monthly rent downward and fixed it at ₹ 2 per sq ft, thereby extending unjustified concession of ₹ 63.18 lakh. The Government stated (November 2012) that action would be taken to review the lease.

(vii) Vijaya Enterprises, Bangalore

Vacant site measuring 42678 sq ft belonging to the Karikal Anjaneya Swamy Temple had been leased for 20 years to Vijaya Enterprises from April 1979 to April 1999. The Government renewed (August 2001) the lease for five more years up to April 2004 subject to the lessee paying the non-refundable goodwill of ₹ 15.46 lakh. The monthly rent was to be fixed on the basis of the guidance value of the property. The Government overlooked the following while renewing the lease:

- The lessee had violated the terms and conditions of lease and sold non-vegetarian food in the shops and the Government, therefore, ordered (December 1994) cancellation of the lease. However, the lease had not been cancelled.
- The lessee, during the initial lease period of 20 years failed to pay the monthly rent regularly and arrears of rent had accumulated. However, the lessee had been collecting monthly rent of ₹ 25000 to 35000 from 18 shops on the leasehold property sub-let to others.
- During August 1999, the Government directed the Commissioner to take steps to evict the lessee from the premises and lease out the property by public auction. However, the lease had not been cancelled and the lessee had not been evicted.

When the lessee approached the Court regarding discrepancies in measurement of the leased land, the Court directed (February 2002) the Commissioner to take immediate action to evict the lessee from the premises as the lessee had been unauthorisedly continuing his business by resorting to various litigations. The Court's directions had not been acted upon and the lessee continued to occupy the property even after expiry of the lease period in April 2004. The Department approached (June 2004) the Tahsildar, Bangalore (North) for recovery of rent amounting to ₹ 6.32 lakh and goodwill of ₹ 15.46 lakh as arrears of land revenue. The Government stated (November 2012) that Rs 14.22 lakh out of Rs 21.78 lakh had since been recovered.

During June 2011, the Government regularized the unauthorized occupation of 18 shops by prescribing a monthly rent of ₹ 2 per sq ft from May 1999 to April 2004 and ₹ 4 per sq ft from May 2004 to December 2009. Out of ₹ 26.53 lakh recoverable, only ₹ 12.35 lakh had been recovered, leaving a balance of ₹ 14.18 lakh. Leases for these shops had not been renewed from January 2010 and monthly rent had not been fixed. These shop owners continued to occupy the shops without paying rent.

(viii) Sri Kalleswara Swamy Temple, Tiptur

At the time of renewing the existing lease for 24,300 of land on which the lessee had set up a cinema theatre, the Government did not fix (August 2001) the monthly rent for this property. The lease had been renewed for 15 years from 1 July 1999 against only five years permissible. Though the Commissioner had recommended a monthly rent of ₹ 10000 for the property, the ground rent had been recovered at ₹ 5000 per month on the basis of the oral orders of the Deputy Commissioner. The loss to the Department on account of this unjustified and unauthorized concession extended to the lessee aggregated ₹ 18.53 lakh for the period July 1999 to March 2012. The Government stated (November 2012) that action would be taken to recover the balance rent as arrears of land revenue.

2.3.7.4 Timely payment of lease rent

We found that as of March 2012, 120 lessees had not paid lease rents aggregating ₹ 2.63 crore (**Appendix-2.9**). The Demand, Collection and Balance (DCB) registers had either been not maintained in the sampled units, or where maintained, the details were incomplete. Year-wise details of the outstanding balances were not available. The Rules prescribe levy of interest at 18 *per cent* per annum where rent is not paid by the fifth of the succeeding month and violation of this condition by persistent default would result in termination of lease. We found that (i) collection procedures to ensure the timely payment of delinquent rents had not been effectively followed; (ii) enforcement actions had not been taken to provide a long-term solution for chronic delinquent lessees; and (iii) the provision to collect interest for delinquent rental payment had not been enforced. The Government stated (November 2012) that the concerned officers have been directed to recover the arrears of rent along with interest and action would be taken against the officers concerned for lapses. The reply was not acceptable as DCB registers had not been properly maintained in the sampled units to facilitate assessment of dues and their timely recovery. In the absence of the basic records for watching the recovery of dues, collection procedures would continue to be ineffective and, as a result enforcement of penal provisions against delinquent lessees would also become ineffective.

2.3.8 Monitoring

Monitoring of the management of the leases, from the stage of approval or renewal of the lease to the stage of expiry of the lease period, had not been undertaken in an effective manner. Regular inspection of the leased properties had not been done to ensure that the lessees were adhering to the lease agreements. In sampled units, there was no system of sending periodical returns to the higher officers about the status of leases, including physical inspections conducted and the results thereof, arrears in payment of rent by the lessees, enforcement actions taken against delinquent lessees etc. In the absence of a structured information flow from the level of EOs, the Department lacked the critical tool to effectively manage the leases. Deficient monitoring facilitated encroachments and unauthorized occupation of the institutions' properties besides encouraging the lessees to violate the conditions of lease and exploit the leasehold properties for unauthorized uses.

2.3.9 Conclusion

The Department had not conducted a survey of all immovable properties belonging to the notified institutions and this handicapped the Department in effectively managing the properties of the Hindu religious institutions and charitable endowments. The Department also did not have an asset management plan and, as a result, there was no guidance on managing the properties over the mid-and long-term. Land measuring 1.31 lakh sq ft had been irregularly leased by the Government in 52 cases without inviting public offers or conducting auctions. There were no efforts on the part of the Department/Government to obtain detailed market information before fixing the rates for the leases.

The administration of the leases was very poor as unjustified concessions had been extended to the lessees at the time of renewing the leases by (i) fixing the lease rent far lower than the prevailing market rate (ii) fixing longer lease period, depriving the Department of the opportunity of revising the lease rent in the short-term and (iii) revising downward the lease rent after its fixation. Collection procedures to ensure the timely payment of lease rents had not been effectively followed, enforcement actions had not been taken to provide a long-term solution for chronic delinquent lessees, and the provision to collect interest for delinquent rental payment had not been enforced.

Monitoring of the management of the leases was very deficient as it failed to detect the shortcomings and initiate necessary remedial measures.

2.3.10 Recommendation

We recommend that:

- To ensure effective management of the properties, the Department should complete the survey, identify the encroachments and unauthorized occupation of properties and initiate prompt measures to restore the properties to the notified institutions.
- The Department should draw up a strategic plan to provide clear direction on how to use the immovable properties it manages. The Department should also establish policies and procedures to ensure that the rental rates reflect fair market value.
- The legal framework provided for granting of leases should not be bypassed. This is to be ensured by developing an independent review system that would review and verify property transactions before approval of lease;
- The Department should exercise greater oversight by strengthening the monitoring mechanism so as to ensure that the staff collects, tracks and conveys key information needed for a meaningful monitoring of the management of the properties.

Urban Development Department

2.4 Maintenance of borewells by Bangalore Water Supply and Sewerage Board

2.4.1 Introduction

Bangalore Water Supply and Sewerage Board (Board) is mandated with the responsibility of providing drinking water supply and sewerage facilities to Bangalore city. The geographical area of Bangalore increased from 558 square kilometres (sq km) to 800 sq km when the areas under seven City Municipal Corporations (CMCs) and one Town Municipal Corporation (TMC) had been transferred to the jurisdiction of the Bruhat Bangalore Mahanagara Palike (BBMP). The Government had transferred (April 2008) these additional areas to the jurisdiction of the Board, which took over the maintenance of 3454 borewells existing in these areas.

2.4.2 Organisational set-up

The Board was headed by a Chairman, who was assisted by one Engineer-in-Chief (EIC) and four Chief Engineers (CEs). The EIC was in-charge of maintenance of borewells. Five divisions, each headed by an Executive Engineer (EE), were responsible for the maintenance of the borewells.

2.4.3 Scope of audit

An internal audit (May 2011) of the procurement of materials made by five divisions of the Board during 2008-11 estimated the loss at ₹ 6.79 crore due to irregularities in procurement. Subsequently, the Board entrusted a special audit of the expenditure on maintenance of borewells in four divisions[9] incurred during July 2008 to July 2011 to the Institute of Public Auditors of India (IPAI). In its report of January 2012, IPAI highlighted several irregularities like multiple purchases against a single sanction order, purchases against a single sanction order by more than one division, excess consumption of submersible pumpsets on borewells maintenance, etc. We conducted (April to June 2012) an audit of the expenditure incurred by the Board on maintenance of borewells during 2008-11 to examine the system deficiencies that led to irregularities in procurement and utilisation of materials. Out of ₹ 55.89 crore spent by the five divisions on maintenance, we audited expenditure of ₹ 32.39 crore by test-checking the records of the Board and three[10] divisions.

[9] East, North, South and West
[10] North, South and West

Audit Findings

2.4.4 Procurement of materials for borewell maintenance

2.4.4.1 Defective estimates facilitated huge variations in procurement of material

For maintenance of the borewells, the Board had prepared (May 2008) identical estimates for 28 packages, each estimated to cost ₹ 99 lakh on the basis of Schedule of Rates (SR) for the year 2008-09. Each estimate covered 75 borewells and contained provision for supply of 75 submersible pumps and 7500 running metres (rmt) of galvanized iron (GI) pipes. The pumps and GI pipes accounted for 50 *per cent* of the estimated cost. The balance cost covered the work of repairing the existing panel boards, labour charges for removing and repairing pumps, erection or re-erection of pumps, pipes etc. However, no survey had been conducted before preparation of these identical estimates to determine the location of the borewells, their condition, the type of maintenance works required etc. As a result, these estimates did not even identify the borewells requiring maintenance. Although 3454 borewells had been taken over by the Board, the estimates covered only 2100 borewells. The Government stated (December 2012) that the Board undertook a survey through an agency called BARC from its Quality Assurance Wing and estimates had been prepared for 2100 borewells, the condition of which had been found unsatisfactory. However, the Government's reply failed to explain why identical estimates had been prepared for all the packages when the condition of the borewells differed.

While inviting tenders for these 28 packages in June 2008, the Board undertook to supply the submersible pumps and GI pipes free of cost to the contractors who were required to quote only the charges for maintenance. The Board received (July 2008) single tenders for all the packages. The Board accepted the single tenders for 26 out of 28 packages after negotiations with the bidders who had agreed to execute the work uniformly at 9.9 *per cent* above the estimated rates. Thus, the contract value of each packages was ₹ 108.80 lakh against the estimated cost of ₹ 99 lakh. The bidders for packages 2 and 12 failed to qualify in the technical evaluation and their financial bids were not opened. As per the agreements with the Board, the contractors were to maintain borewells in the wards from July 2008 to July 2009. However, the Board extended the contract period upto July 2010 at the same rates. The five divisions of the Board took care of the maintenance of borewells from August 2010 onwards. The Government stated (December 2012) that the contract period was extended beyond July 2009 due to urgency on the basis of administrative decision, to avoid another tortuous round of procurement. The reply was not acceptable as the Board was aware of the expiry of the contract period in July 2009 and had sufficient time to finalise fresh tenders.

The EEs prepared revised estimates for each of these packages incorporating the maintenance expenditure actually incurred during July 2008 to July 2010 and submitted these to EIC during October 2011 for approval. However, approval had not been given (June 2012). The actual expenditure as per the revised estimates in respect of 19 of these packages in sampled divisions was as shown in **Table-2.28.**

Table-2.28: Details of actual expenditure on maintenance as per the revised estimates

(₹ in lakh)

Name of the package	Contract value	Expenditure incurred on				Total expenditure as per revised estimate	Excess(+)/ Savings(-)
		Submersible pumpsets	GI pipes	Other materials	Labour charges		
North Division							
Byataranayapura CMC ward 1 to 11	108.80	15.75	15.68	4.77	136.10	172.30	+ 63.50
Byataranayapura ward 12to 22	108.80	26.61	15.05	6.74	159.70	208.10	+ 99.30
Yelahanka ward 1 to 10	108.80	9.05	7.36	6.27	24.10	46.77	- 62.03
Dasarahalli ward 1 to 8	108.80	19.93	16.89	7.72	107.15	151.69	+ 42.89
Dasarahalli ward 9 to 16	108.80	25.01	16.41	7.34	51.96	100.72	- 8.08
Yelahanka ward 21 to 31	108.80	13.80	6.51	6.42	60.77	87.51	- 21.29
Yelahanka ward 11 to 20	108.80	15.44	10.70	6.41	41.78	74.33	- 34.47
Total	**761.60**	**125.59**	**88.60**	**45.67**	**581.56**	**841.42**	
West Division							
Dasarahalli ward26 to 35	108.80	11.09	12.25	3.16	125.82	152.32	+ 43.52
RR Nagar ward 17 to 25	108.80	9.37	6.14	1.62	54.34	71.47	- 37.33
RR Nagar ward 9 to 16	108.80	9.74	5.10	1.74	55.18	71.76	- 37.04
Dasarahalli ward 17 to 25	108.80	9.96	7.95	2.35	81.42	101.68	- 7.12
RR Nagar ward 1 to 8	108.80	7.28	6.31	2.01	66.02	81.62	- 27.18
Kengeri ward 1 to 12	108.80	6.37	2.66	1.29	22.65	32.97	- 75.83
Kengeri ward 13 to 24	108.80	8.56	5.05	1.83	40.66	56.10	- 52.70
Total	**761.60**	**62.37**	**45.46**	**14.00**	**446.09**	**567.92**	
South Division							
Bommanahalli ward 17 to 24	108.80	24.06	25.76	13.15	77.20	140.17	+ 31.37
Bommanahalli ward 25 to 32	108.80	25.10	24.22	6.38	84.60	140.30	+ 31.50
Bommanahalli ward 1 to 8	108.80	27.78	29.53	12.90	66.65	136.86	+ 28.06
Bommanahalli ward 9 to 16	108.80	23.80	38.68	9.33	77.00	148.81	+ 40.01
RR Nagar ward 26 to 31	108.80	19.29	23.83	13.19	54.05	110.36	+1.56
Total	**544.00**	**120.03**	**142.02**	**54.95**	**359.50**	**676.50**	
GRAND TOTAL	**2067.20**	**307.99**	**276.08**	**114.62**	**1387.15**	**2085.84**	

(Source: Information furnished by the divisions)

While the expenditure was less than the contract value by ₹ 3.63 crore in respect of ten packages, the expenditure in respect of the remaining nine packages was higher than the contract value by ₹ 3.82 crore. Though the Board was to supply as per the tender only submersible pumps and GI pipes to the contractors, several other materials like gate valve, non-returning valve etc., which had not been factored in the estimates, been procured and issued to the contractors free of cost. The cost of materials not factored in the estimates but supplied to the contractors free of cost aggregated ₹ 1.15 crore (9 *per cent*) in 19 sampled packages. While labour charges accounted for 67 per cent of the total expenditure, submersible pumpsets and GI pipes accounted for 28 per cent. All the packages of South Division witnessed excess expenditure over the contract value while only one out of seven packages recorded excess expenditure in the West Division. The packages in the North division witnessed mixed trends with three and four packages recording excess expenditure and savings respectively.

As the estimates had not been framed on the basis of need analysis, there were huge variations between estimated quantities of materials and those procured for maintenance. The Government stated (December 2012) that replacement of submersible pumps, gate valves, etc., had been done only in a few genuine cases depending on need and, due to varying ground conditions, the expenditure was less than the estimated amount in some packages, while it was more in other cases. The reply was not acceptable as the varying ground conditions and condition of the borewells could have been assessed reasonably well through survey before framing the estimates.

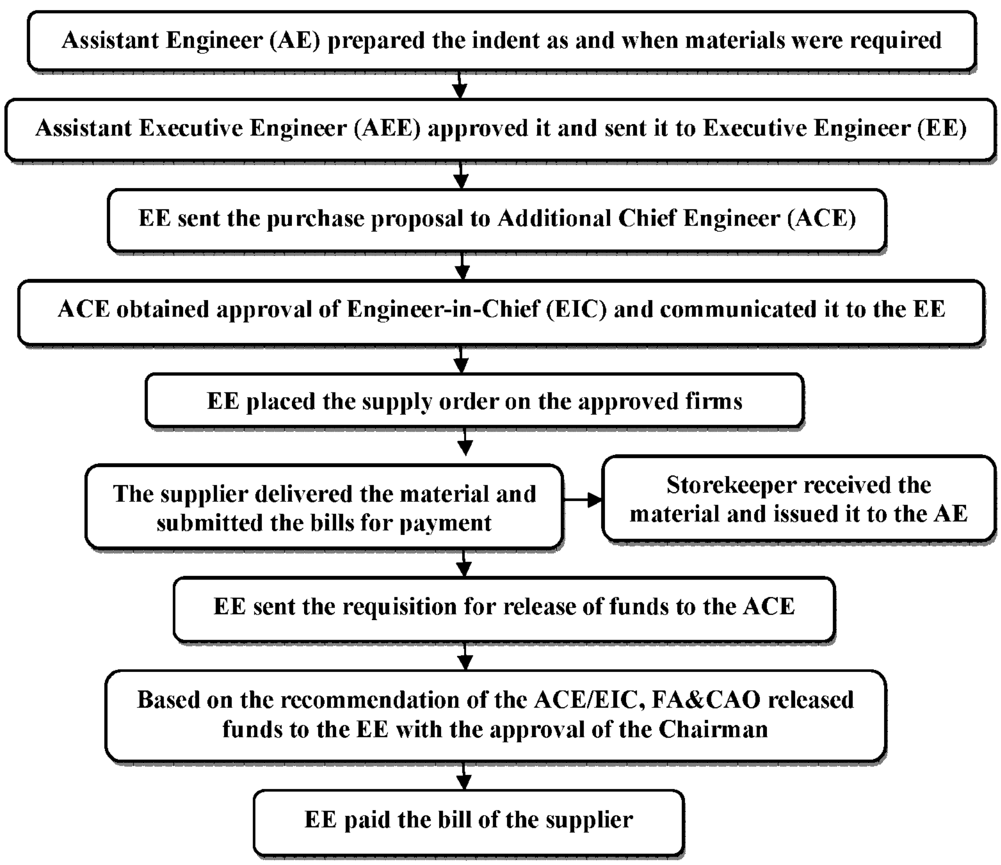
2.4.4.2 Indents for purchases had no basis

The scope of work entrusted to the contractors required them to inspect the existing borewells, remove the stuck-up/non-functional pumps from the borewells, carry out repairs, replace the old pumps, pipes etc., wherever necessary, with new ones. In this scenario, while the divisions were to necessarily have an adequate reserve stock of materials required for maintenance of borewells, further procurement of additional quantities of materials should have been made either to replenish the reserve stock or to meet any urgent requirements for maintenance.

However, we found that the indents placed by the AEs/AEEs had not been prepared on the basis of any requisitions from the contractors and could not, therefore, assess whether the indents had been driven by actual need. The Government stated (December 2012) that the Board had initiated investigation into the alleged malafides of the Engineers and taken disciplinary action on the basis of preliminary reports.

2.4.4.3 Irregular procedure followed for purchase of materials

The Board was to follow all the codal provisions applicable to Government departments. The procedure followed by the divisions for procurement of materials required for maintenance was as shown below:



While sending the proposal for procurement to the ACE, the EEs brought to notice that the EIC had on earlier occasions approved procurement of small quantity of the same material at a certain rate on the basis of quotations invited. The EE's proposal sought the approval of the EIC to procure the material at the rate approved earlier without resorting to invitation of either quotations or tenders. The EEs even mentioned names of the three firms from which supplies would be obtained at the approved rates. The ACE, after obtaining the approval of the EIC, communicated it to the EEs.

This procurement procedure was in violation of the provisions in the Karnataka Public Works Department's (KPWD's) Stores Manual and the Karnataka Transparency in Public Procurement (KTPP) Act which prescribe that officers making purchases should see that a large purchase is not split up into several smaller ones for evading the rules relating to larger purchases. Whenever several small purchases of the same class of articles are made within a period of three months, an explanation should be given on the bills stating why the purchases could not be made together. Further, as per the provisions of Section 5 of the KTPP Act, no procurement entity shall procure goods or services except by inviting tender for supply or procurement of materials with a value of more than rupees one lakh.

From a review of the indents sent by the AEEs, proposals sent by the divisions to the EIC, and approvals given by the EIC, we observed that during 2008-10, the divisions had split up the quantity of the materials indented by the AEEs into smaller ones to bypass the rules relating to large purchases and the provisions of the KTPP Act. A few illustrative cases are detailed in **Appendix-2.10.**

The Government stated (December 2012) that as the maintenance work was to be undertaken immediately, there was no alternative other than adopting the procedure followed. It was further stated that only small items had been purchased on the basis of quotations. The reply was not acceptable as the divisions while seeking approval of the EIC for purchases had invariably split up the requirements projected by the AEEs, so as to bring each purchase within the financial power (₹ 50000 to ₹ 1 lakh) delegated to EIC. This procedure not only facilitated procurement of materials without inviting tenders/quotations but also directed the supply orders to predetermined firms. Thus, the procurement procedure was not transparent and was also not designed to secure the most economical prices for materials.

2.4.4.4 Competitive price for pumps not obtained

The submersible pumps needed by the divisions for borewells varied in their specifications such as horse power and stages. The correct specification of the pump required for a borewell would be known only at the time of undertaking repairs as no survey of the existing borewells had been done earlier. In such a scenario, the prudent initiative would be to enter into a rate contact for supply of pumps with different horse powers and stages, after inviting tenders. Such a rate contract would not only take care of the requirement of pumps with differing specifications but also would secure the most competitive price for the pumps. However, the EEs split up the purchases and procured the pumps locally at the rate approved by the EIC without inviting quotations/tenders.

We found that the Central Stores Division of the Board entered (January 2011) into a rate contract for supply of submersible pumps of varying specifications required for borewells. There was no such rate contract earlier. We compared the rates paid for the pumps purchased locally during 2008-11 with those in the rate contract and found that the divisions had purchased pumps at exorbitantly high rates, involving an extra expenditure of ₹ 1.81 crore **(Appendix-2.11).** Normally, the cost of pumps would increase over a period of time due to increases in costs of inputs. In this context, the extra expenditure determined by us on the basis of prices of 2011 would only be understated and the actual extra expenditure would be more than our estimate.

The Government stated (December 2012) that local purchase of pumps might have been followed to enable quick restoration of the borewells and the irregularities were being enquired into. However, the Government defended the purchases on the ground that urgent action needed to be taken to restore pumps and motors in water deficient areas and neither the general public nor the elected representatives would be satisfied with procedural aspects without actual restoration of water supply. The reply was not acceptable as the solution to the problem in such a scenario would be to have a minimum reserve stock of pumps of different capacities rather than bypassing the prescribed purchase procedures and spending money in disregard of the cannons of financial propriety.

2.4.4.5 Indents for supply of materials had been altered

We found variations/differences between the original copies of indents which had been sent to the division and the respective carbon copies available in the sub-division. In the cases listed in **Table-2.29** below, items of materials and their quantities indented by the sub-division had been altered in the copies of the indents available in the division:

Table-2.29: Differences between the original copies of indents and the carbon copies

(Amount in ₹)

Item	Carbon copy			Original copy		
	Quantity	Rate	Amount	Quantity	Amount	Difference
50mm GI Tee	04	58	232	64	3712	3480
Union	27	372	10044	332	123504	113460
Elbow	81	190	15390	466	88540	73150
Nipple	27	105	2835	312	32760	29925
Gate Valve	51	2632	134232	117	307944	173712
Collar	25	144	3600	125	18000	14400
Non-return Valve	60	2198	131880	189	415422	283542
Submersible Pumpsets – 7.5 HP/15 stage	01	23690	23690	02	47380	23690
7.5 HP/20 stage	06	30183	181098	16	482928	301830
5 HP/50 stage	03	45655	136965	04	182620	45655
5 HP/15 stage	04	37100	148400	19	704900	556500
50 mm GI pipe	00	420	00	1000 rmt	420000	420000
TOTAL			**788366**		**2827710**	**2039344**

(Source: Information furnished by the divisions)

As a result, materials costing ₹ 20.39 lakh had been excessively procured and issued to the sub-division on the basis of these altered indents. The AE/AEE did not object while receiving the procured materials, which were at variance with those indented. This evidenced that AE/AEE did not check the indents given while accepting the materials supplied. These materials had been taken to the MAS account of the concerned Engineer and shown as having been issued for borewell maintenance. However, while issuing the materials from the MAS account, the borewells for which these materials had been issued and the package comprising these borewells had not been mentioned in the MAS account. The materials were removed from the MAS account by showing these as issues for maintenance of borewells. We could not, therefore, verify whether the materials had been used on bonafide works.

Further, the contractors had not acknowledged receipt of materials received by them for maintenance, though required in terms of provisions in Para 311(d) of KPWD Code.

We also observed instances where the divisions had sent proposals for procurement of materials in excess of quantities indented by the AEEs. Illustrative cases of such excess procurements are shown in **Appendix-2.12**.

Thus, alteration of the indents and excessive procurement of materials in disregard of the indents evidenced that no checks and balances existed at the divisional level resulting in procurement of materials not indented or required. As there was no evidence of use of these materials on bona fide works, misappropriation of funds through fictitious purchases cannot be ruled out. The Government stated (December 2012) that wherever proper procedures had not been followed and charges made against the officials were proved, suitable action would be initiated.

2.4.4.6 The suppliers provided insufficient details of pumps supplied

Our scrutiny of invoices for supply of pumps showed that in a majority of the cases, neither the make of the pump nor the serial number inscribed by the manufacturer on the pump had been mentioned. As a result, the details regarding the make and the serial number had not been recorded at the time of entering the receipt of pumps in the Measurement Books (MB). In the absence of these details, audit could not ascertain whether the pumps purchased had the same specifications for which the rates had been approved. Further, the submersible pumps should have been supplied to the divisional stores with a warranty card. However, no warranty cards were available in the stores of the sampled divisions. As a result, we could not verify whether the divisions had enforced the terms of warranty wherever applicable. The Government stated (December 2012) that all procedural lapses and irregularities were being enquired into and suitable action would be taken if any officer was found guilty.

2.4.5 Fictitious purchases against fake sanction orders

2.4.5.1 Materials purchased against fake sanctions

During 2008-11, the EIC had issued 1245 purchase sanctions authorizing procurement of borewell materials by the three sampled divisions. However, these three divisions purchased materials against 2124 purchase sanctions purported to have been given by the EIC. We verified the purchases of borewell materials made by these three divisions during 2008-11 by matching each purchase with the purchase sanction order of the EIC. We found that the three divisions purchased materials costing ₹ 6.06 crore against 879 purchase sanctions which had not been given by the EIC. Fictitious sanction orders had been recorded on the purchase orders placed by EE on the vendors in these 879 cases. The details of materials procured against these evidently fake sanction orders were as shown in **Table-2.30**:

Table-2.30: Details of materials procured against fake orders

Division	Year of purchase	No. of fake sanction orders	Cost of materials procured against fake orders (₹ in lakh))
North	2008-09	09	5.26
	2009-10	128	93.34
	2010-11	267	180.77
West	2008-09	01	0.48
	2009-10	64	45.20
	2010-11	338	228.75
South	2008-09	01	0.99
	2009-10	43	30.75
	2010-11	28	20.05
	TOTAL	**879**	**605.59**

(Source: Information furnished by the divisions)

The materials had been accounted as receipts in the stock register and shown as issued to the AEs who had charged off these materials during 2008-10 to maintenance works without mentioning the location of the borewells or even the package relevant to the borewells.

The purchases made against fake sanctions were evidently fictitious in the absence of evidence of utilization of materials on bonafide works. The Government stated (December 2012) that the variations between the sanctions given by the EIC and those actually recorded in the divisions were being examined in detail in the departmental enquiry and suitable action would be taken against officials found guilty.

2.4.5.2 Absence of mechanism to guard against manipulations

The normal procedure followed by two Government offices situated in the same city/town to send and receive a communiqué other than by post is as follows:

- The sender office hands over the letter to be sent, to a despatch clerk.
- The despatch clerk enters the letter number, subject, address etc in a despatch register and hands over the letter to an official (usually a Group D employee) to carry it to the addressee.

- The Group D official enters the details of the letter in a 'Tappal Register' or 'Transit Register' and hands over the letter to the addressee after obtaining his acknowledgement.
- The designated official in the receiving office enters the letter received in an inward register and hands over the letter to the person or section concerned.

A scrutiny of the despatch registers and inward registers in sampled divisions showed that none of the proposals seeking sanctions of the EIC had been entered in the Tappal Register. Further, none of the sanctions received from EIC had been entered in the divisions' inward registers. Thus, there was no mechanism in place in the divisions to keep track of the proposals sent for sanction and the receipt of the sanction orders. The Government stated (December 2012) that suitable action would be taken against the concerned and the correct procedure would be followed.

2.4.5.3 Register of sanctions not maintained

According to Paragraph 49 of the Karnataka Public Works Department Accounts Code (KPWA code), every sanction affecting the expenditure to be accounted for in the Monthly Account is to be noted at once in a suitable register, preferably one wherein the expenditure incurred against it can be watched readily. However, we observed that neither the Board nor the divisions maintained the Register of Sanctions and did not watch the expenditure against each sanction accorded by the EIC. Though the expenditure on maintenance of borewells exceeded the allocation made in the Budget of the Board during 2008-09 and 2009-10 as shown in **Table-2.31**, the Board did not examine the reasons for such excess expenditure:

Table-2.31: Budget provisions and expenditure on maintenance

(₹ in lakh)

Year	Budget provision for maintenance	Expenditure	Excess (+) Savings (-)
2008-09	680.50	1934.40	(+) 1253.90
2009-10	1750.00	1884.32	(+) 134.32
2010-11	2090.00	1771.30	(-) 318.70

(Source: Information from the Budget and expenditure statements of the Board)

2.4.5.4 EIC failed to notice fake sanction order

The EIC issued purchase sanction orders to the divisions after entering these in a despatch register. The serial number and date given in the despatch register had been entered in the sanction order as the approval number and date. The EIC maintained a common despatch register for all the divisions and thus no two approvals given in a year could carry the same number and date. However, we observed that several sanctions received by North and West divisions carried the same numbers though the dates differed. The details are given in **Appendix-2.13.** The EIC did not carry out any periodical checks to verify the sanctions given by him before recommending for release of funds for payment of bills to the suppliers.

The monthly requests for release of funds sent by the EEs contained the details of supply bills pending for payments and the respective purchase sanctions given by the EIC. However, these requests had not been subject to scrutiny by the office of the EIC and funds had been routinely released to the EEs on the basis of requests received. Failure of the EIC to verify the genuineness of the claims received from the EEs facilitated continued creation of fake purchase orders and release of funds for fictitious purchases. The Government stated (December 2012) that these observations had been pointed out by the Internal Audit Wing in the initial stages when a special audit was taken up and the matter was subsequently entrusted to IPAI for a thorough verification. It was further stated that the Board decided to initiate disciplinary action against the concerned and entrust further investigation to the Lokayuktha. While the action taken by the Board after May 2011 was laudable, the irregularities could have been avoided if regular internal audit of the transactions had been part of the internal control mechanism of the Board.

2.4.6 Utilisation of materials procured for borewell maintenance

2.4.6.1 Shortcomings in the recording of materials issued in the Measurement Books

As per the provisions in the KPWA code, the measurements recorded in the MBs should, inter alia, incorporate the name of the work as given in the estimate. However, while charging off materials from MAS accounts, the entries recorded in the MBs did not even mention the wards and packages for which the materials had been issued from MAS accounts. A few illustrative recordings made in MBs of the West division are shown in **Appendix-2.14.** Thus, the recordings in the MBs failed to provide proof of utilisation of materials on bonafide works.

Further, as per the PWD codal provisions, the AEE and the EE should conduct check measurements of entries made in the MBs to the extent of 75 *per cent* and 25 *per cent*, respectively, and both should certify that the checked items had been found correct. However, none of the entries in the MBs indicating issue of materials to works had been test-checked either by the AEEs or EEs.

2.4.6.2 History Books did not support the quantity of borewell materials as per the revised estimates

The divisions maintained History Books wherein ward-wise borewells maintained had been recorded. A separate folio had been allotted in the History Book to each borewell and details such as location of the borewell, RR No. of the power connection, the nature of maintenance work carried out like GI pipe lowered/replaced, new pump erected, panel board repaired etc., had been recorded.

We found that the quantities of GI pipes and submersible pumps shown as used in the History Books of 10 packages reviewed by us in three divisions were different from the quantities shown as used in the respective revised estimates as shown in **Table-2.32**.

Table-2.32: Variations between History books and revised estimates

Sl. No.	Description of material	No. of packages	As per History books (numbers)	As per the revised estimates (numbers)
1.	New Pumps erected (No.)	6	157	265
2.	New Pumps erected (No.)	4	317	288
3.	50 mm GI pipes (Rmt)	8	23743	31758
4.	50 mm GI pipes (Rmt)	2	11830	11328
5.	32 mm dia GI pipes (Rmt)	3	2430	4964
6.	32 mm dia GI pipes (Rmt)	1	2634	2484

As details of borewells/packages for which pumps and pipes had been issued were not recorded in the MBs, the basis for writing the History Books and preparing revised estimates, albeit with such huge variations, was not forthcoming. The Government stated (December 2012) that the Board had decided to take disciplinary action against the concerned on the basis of the reports of the Internal Audit Wing and IPAI and suitable action would be taken against the concerned on completion of the enquiry.

2.4.6.3 Materials issued had not been accounted under sanctioned works

The Engineers in-charge of maintenance of borewells were to take to their MAS accounts the materials received from the divisional stores and issue these for maintenance works. The issue entries should cite the transfer entry order (TEO) or MB number incorporating the details of the borewells/packages for which materials had been issued.

We found that the borewell materials consisting of pump and GI pipes were charged off from MAS accounts by citing the entries recorded in the MBs. Scrutiny of entries in the MBs showed only the quantities of pumps and GI pipes so charged off without any mention of either the respective borewells or the packages in which the borewells were located. As a result, we could not relate these issues with the borewells or the packages. However, while scrutinising the revised estimates for 19 packages, we found that the total quantities of pumps and pipes included therein were lower than those issued as per the MAS accounts, implying that pumps and GI pipes had been excessively issued from MAS accounts. The financial implication of such excessive charging of materials aggregated ₹ 4.36 crore in respect of the divisions shown in **Table-2.33**:

Table-2.33: Cost of materials excessively charged off

Sl.No.	Name of the Division	Cost of materials excessively charged off (₹ in crore)
1.	West Division	1.03
2.	South Division	1.33
3.	North Division	2.00
	Total	**4.36**

Details of materials excessively charged off are given in **Appendices-2.15, 2.16 and 2.17** respectively**.**

Charging off the pumps and GI pipes from the MAS accounts without mentioning the location of the borewells and the respective packages in the MBs and the huge differences in quantities of materials between the MBs and the revised estimates raised doubts about the utilisation of these materials for bonafide purposes. The Government stated (December 2012) that disciplinary action had been initiated against the concerned on the basis of the reports of the Internal Audit Wing and IPAI.

2.4.7 Monitoring

Effective monitoring and review of the procurement activity would help the organisation comply with the Government policies and rules governing procurement and increase the efficiency and effectiveness of the procurement process. However, we found that the Board did not regularly monitor the procurement of materials by divisions against the purchase sanctions given by the EIC and, as a result, the Board failed to notice the persistent purchases against fake sanctions. The internal audit (May 2011) of the purchases made against fake sanction orders by all the five divisions assessed the loss to the Board at ₹ 6.79 crore against ₹ 6.06 crore detected in audit in respect of only three out of five divisions. If the excessive charging of materials costing ₹ 4.36 crore (as discussed in Paragraph 2.4.6.3) by three out of five divisions was also taken into account, the loss to the Board would aggregate ₹ 10.42 crore. As no regular internal audit of the procurement of materials had been done till May 2011, the fictitious purchase remained undetected for three years. On the basis of a complaint filed by the EIC, the Ulsoorgate Police Station filed (July 2011) an FIR against the three firms from which fictitious purchases had been made. Subsequently, the Government referred the matter to the Lokayuktha during September 2011. Thus, lack of oversight of the procurement activities by the Board facilitated, continued and sustained subversion of the procurement procedures by the EIC/EEs.

2.4.8 Conclusion

The procurement process followed by the Board for materials required for maintenance of borewells did not conform to the KPWD's Stores Manual and the KTPP Act, discouraged competition, hampered efficient and economical use of the resources, and inhibited transparency and accountability and facilitated purchases of materials against fictitious sanction orders. As the irregular procurements were not isolated cases but had continued for nearly three years, it was indicative of the coordinated efforts of unscrupulous suppliers and officials at various levels to subvert the checks and balances encouraged by the failure of the oversight mechanism in the Board. These lapses resulted in misappropriation of Board's funds aggregating ₹ 10.42 crore through fictitious purchases and excessive charging of materials to borewells.

2.4.9 Recommendations

We recommend that:

- The procurement of materials should conform strictly to the provisions in KPWD's Stores Manual and the KTPP Act;
- The procurement process should be regularly monitored by the Board by putting in place oversight mechanism at appropriate levels;
- Where materials are charged to maintenance works, all requisite details should be recorded in the prescribed records to evidence utilisation of materials for bonafide purposes; and
- The loss caused by the irregularities committed in procurement should be recovered from the persons responsible therefor, besides initiating exemplary action against the officials and others responsible for the fictitious purchases.

CHAPTER-3
AUDIT OF TRANSACTIONS

3.1 Non-compliance with the rules and regulations

3.2 Audit against propriety/Expenditure without justification

3.3 Persistent and pervasive irregularities

3.4 Failure of oversight/governance

Chapter-3
Audit of Transactions

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

3.1 Non-compliance with the rules and regulations

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

PRIMARY AND SECONDARY EDUCATION DEPARTMENT

3.1.1 Excess payment of salary

The teaching staff in Government and aided Pre-university colleges received salary of ₹ 4.01 crore for a strike period without compensating for the loss of academic days caused by the strike, in disregard of Government directives.

The teaching staff of Government and aided Pre-University (PU) Colleges in Karnataka struck work for eight days from 8 December 2011 to 15 December 2011. The Government declared the strike illegal and issued instructions to the Commissioner for PU Education (Commissioner) to withhold the salaries of lecturers and principals in 1203 Government colleges and 638 aided PU colleges for the strike period. The Commissioner sought (December 2011) the permission of the Government to initiate disciplinary proceedings against the teaching staff and also to regularise the strike period either by debiting the leave account of the teaching staff or by deducting the salary payable for the strike period.

The Government subsequently ordered (2 February 2012) the release of salary withheld on condition that the teaching staff compensated for the loss of academic days by teaching on holidays. The Commissioner issued (3 February 2012) instructions to the Deputy Directors of the districts and Principals of the Government and aided PU colleges to release the salary for the strike period if the teaching staff compensated for the loss of academic days by working on holidays. The salary for the strike period of eight days was disbursed to the teaching staff in March 2012.

We found that the last working day of the academic year for the PU colleges across the State was 31 March and the summer vacation commenced thereafter. During the academic year 2012, the PU examination commenced from 22 February 2012 for the first year PU students and the teaching staff could have, at the most, worked on only three holidays. Similarly, the examination for the second year PU students commenced from the second week of March 2012 and there were only 5 holidays left before the start of the examination.

Evidently, there was no scope for the teaching staff to compensate for the academic days lost by working on holidays. However, the Deputy Directors and Principals of the PU colleges overlooked this aspect while releasing the withheld salary in March 2012. The college-wise details of the number of holidays on which the teaching staff had worked were not available with the Commissioner. We calculated the excess payment to the teaching staff on the basis of a very conservative estimate that the teaching staff could not have worked on more than five holidays till the commencement of the examination for the second year PU students. Applying the minimum salary of ₹ 750 per day for each lecturer, the excess payments aggregated ₹ 4.01 crore for 17840 lecturers including Principals of Government and aided PU colleges. The actual excess payment would be higher if the salary actually drawn by each lecturer and the number of holidays on which the teaching staff had actually worked is considered.

Pursuant to the audit findings, the Government stated (November 2012) that it had modified (November 2012) its order of 2 February 2012 by treating five days of the strike period as duty and allowing the remaining three days to be regularized by sanctioning leave of the kind due and admissible to the lecturers and Principals. However, while doing so, the Government glossed over the judgment of the Supreme Court advocating the principle of 'no work, no pay'. As the lecturers and Principals had not compensated for the loss of three days, release of pay for these three days by sanctioning leave was irregular. Further, treating five days of the strike period as duty without verifying whether the lecturers and Principals had actually worked on five extra days was also irregular.

REVENUE DEPARTMENT

3.1.2 Loss of interest

The Commissioner, Survey Settlement and Land Records retained huge unspent balances in the current account without earning interest, in disregard of the instructions given by the Finance Department for remitting the surplus money to the consolidated fund. This resulted in a loss of interest of ₹ 1.55 crore.

The Government had launched (August 2008) a Tatkal Podi and Pre-mutation Sketch Scheme (scheme) to facilitate correction of land records arising from division of landholdings due to a variety of reasons. The Government prescribed fees of ₹ 500 and ₹ 600 per application for Podi and Pre-mutation sketch, respectively. The Tahsildars were to receive the applications along with the prescribed fees and provide the requisite documents to the applicants within a month. The amounts so received were to be deposited in the bank accounts to be opened at taluk levels and utilized for making payments at the prescribed rates to the licensed surveyors engaged for the purpose. The Tahsildars were to transfer the unspent balances to the bank account of the Commissioner, Survey Settlement and Land Records (Commissioner) once in three months. The unspent balance in this account was not to exceed ₹ 1 crore any time. The Commissioner was to report, at the end of the financial year, the unspent balances to the Finance Department (FD), which was to advise on remittance of the surplus balance to the Consolidated Fund of the State.

We found that unspent balance of ₹ 39.20 crore had been parked in the current accounts of the Commissioner as of September 2012. Further, while giving concurrence to the opening of the bank account, the FD had prescribed the following:

- A financial management plan for the scheme was to be got approved by the FD;
- A committee headed by the Principal Secretary, Revenue Department and consisting of representatives from the FD and the Department of Personnel and Administrative Reforms was to review the account on a quarterly basis; and
- The financial arrangement was to be reviewed in April 2010 in consultation with the FD.

However, the Commissioner had not complied with the directives of the FD and had also not reported the unspent balances to the FD, and in the process, huge funds had been parked outside the Consolidated Fund of the State.

Cash balances in the Consolidated Fund of the State are parked with the Reserve Bank of India (RBI). While the State Government earns interest at 5 per cent per annum on surplus cash balances through automatic investment in 14 days' intermediate treasury bills, the balances in the current accounts of the Commissioner do not earn any interest. Failure of the Commissioner to remit the surplus funds to the Consolidated Fund in consultation with the FD deprived the State Government of the opportunity of earning interest thereon by investing these in treasury bills. In the process, the State Government lost ₹ 1.55 crore in foregone interest during August 2009 to July 2012.

The matter was referred to Government in July 2012; reply has not been received (November 2012).

3.1.3 Sanction of excessive grants to temples and mutts

Government failed to follow its own guidelines regulating grants to religious institutions and released ₹ 50.86 crore excessively to 58 institutions during 2010-11. Grants of ₹ 8.16 crore released to nine institutions were outside the purview of the Government guidelines.

The Government provided grants to temples and other religious institutions for taking up repairs, renovations and construction of new structures. The Government had issued guidelines from time to time to regulate the release of grants to religious institutions. The latest guidelines were issued in September 2010. In terms of these guidelines, the maximum limits up to which grants could be sanctioned to these institutions were as under:

(1) Muzrai temples – ₹ 10 lakh
(2) Private temples and institutions – ₹ 25 lakh
(3) Mutts- ₹ 50 lakh

The grants were to be sanctioned on the basis of technical scrutiny of the estimates submitted by these institutions. While Commissioner, Hindu Religious Institutions and Charitable Endowments, Bangalore (Commissioner) had been delegated power to sanction grants up to ₹ 10 lakh, power to sanction grants in excess of ₹ 10 lakh vested with the Government. Further, if the grant exceeded ₹ 5 lakh, it was to be released in two installments. The second installment was to be released only after obtaining utilisation certificate from the grantee for the first installment. The Government released grants to the respective Deputy Commissioners (DCs) who parked the funds in a separate bank account and released the funds to the grantees.

We found that the Government had sanctioned grants in excess of these limits to 59 temples and mutts (8 muzrai temples, 28 private temples and 23 mutts) during September 2010 to March 2011. While these 59 institutions were eligible for grants aggregating ₹ 19.30 crore as per the scale fixed by the Government, the actual releases aggregated ₹ 72.05 crore, resulting in excess release of ₹ 52.75 crore, including ₹ 5.65 crore excessively released to eight muzrai temples. While the Government guidelines of September 2010 permitted relaxation of the norms for releasing grants to muzarai temples, no such relaxation was envisaged for private temples and mutts. We also found that DCs, Bangalore and Tumkur districts released ₹ 8.25 crore to eight of these 51 private temples and mutts in one installment instead of two installments.

Under the guidelines of September 2010, the Government had released another ₹ 5.51 crore during 2010-11 to seven Trusts and Samajas for undertaking developmental activities, centenary celebrations, Ganesha Utsava celebrations etc. Grant of ₹ 3.01 crore given to three of the seven institutions for centenary celebrations (₹ 2.51 crore to two institutions) and Ganesha Utsava celebrations (₹ 50 lakh to one institution) was outside the scope of Government guidelines of September 2010. In these seven cases, the grants exceeded the prescribed limits by ₹ 3.76 crore.

Though Government guidelines of September 2010 did not cover religious institutions outside the State, grants aggregating ₹ 5.15 crore had been released to six temples outside the State during 2010-11.

The Government stated (November 2012) that the Government guidelines of September 2010 provided for relaxation of the norms fixed for releasing grants and grants were released in relaxation of the guidelines with the approval of the Minister for Muzrai and the Chief Minister. The reply was not acceptable as the guidelines of September 2010 permitted relaxation only in respect of muzrai temples whereas the relaxation had been irregularly given to private temples and mutts.

Regarding grants to religious institutions outside the State, the Government stated (November 2012) that these grants had been released due to pressure from the public, with the approval of the Chief Minister. The reply was not acceptable as the Government guidelines did not cover religious institutions outside the State.

Thus, Government violated its own guidelines while sanctioning grants to religious institutions and released grants aggregating ₹ 50.86 crore excessively, evidently to patronize the grantees. Grants of ₹ 8.16 crore released to nine institutions were outside the purview of the Government guidelines.

3.1.4 Loss on sale of land

Government sold 13 acres of land to a Trust at a concessional rate of 50 per cent of its guidance value, though the Trust agreed to pay the guidance value for the land required for establishing a medical college. As per the Rules, the concession was available only to charitable institutions which did not charge any fee or service charges. As the medical college intended to be set up on the Government land was expected to inevitably collect fees from the students, the concession extended was unjustified and it resulted in a loss of ₹ 4.23 crore.

The Karnataka Land Grant Rules, 1969 (Rules) permit grant of land to religious and charitable institutions with the prior approval of the Government subject, inter alia, to the following conditions:

- While fixing the price of the land to be granted for non-agricultural purposes, no concession in price of land should be given to any institution; and
- Institutions run purely for religious and charitable purpose such as temples, leprosy treatment centres, old age homes, orphanages, homes for physically and mentally challenged persons etc., and ***without collecting any fee or service charge*** may be granted land at fifty *per cent* of the market value or guidance value, whichever is higher.

We found that Government had approved (February 2011) sale of 13 acres of its land in Survey No.15 of Chikkasandra village, Yeswanthapura Hobli, Bangalore North taluk to Sri Srinivasa Educational and Charitable Trust for establishing a medical college. At the time of seeking (March 2010) approval for sale of land, the Trust had agreed to pay the guidance value for the land. However, the Government approved the sale of land to the Trust at 50 *per cent* of the guidance value of ₹ 65 lakh per acre. The Government's decision was gratuitous, as the Trust itself volunteered to pay the guidance value for the land while seeking approval for its sale. Further, the Trust had needed the land for construction of a medical college which was expected to inevitably collect fees from the students and, in this context, 50 per cent exemption in the guidance value was not permissible under the Rules. Thus, Government's decision to sell the land to the Trust at a concessional price resulted in a loss of ₹ 4.23 crore.

As per the Rules, where the Government land is alienated for non-agricultural purposes, market value or guidance value of the land, whichever is higher, should be collected. It is common knowledge that market value of any property is mostly higher than the guidance value fixed by the Government due to a variety of reasons. In this context, we observed that the loss of ₹ 4.23 crore remained understated and the actual loss to the Government in this case would have been more.

The Government stated (November 2012) that under Rule 19, charitable and religious institutions were eligible for 50 *per cent* concession in the value of land and the Government was empowered to grant such concession under Rule 27. It was further stated that the Government had accordingly approved the sale of 13 acres of land to the Trust. The reply was not acceptable as the Rules provided for extending 50 *per cent* concession in the value of land only in respect of religious and charitable institutions which did not collect any fee or service charge. As the medical college proposed to be set up on the land sold to the Trust was expected to inevitably collect fees from the students, the concession extended was irregular.

URBAN DEVELOPMENT DEPARTMENT

3.1.5 Extra expenditure

The Bangalore Water Supply and Sewerage Board misjudged the responsiveness of the lowest bids received for seven packages and rejected these on the ground that these were not substantially responsive. Consequently, the Board accepted higher bids for these packages and this resulted in extra expenditure of ₹ 21.36 crore.

The Bangalore Water Supply and Sewerage Board (Board) invited (May 2010) tenders for providing sewerage systems in the areas under the erstwhile City Municipal Corporations. The works had been grouped under seven packages as shown below:

Sl No	Name of the package	Amount put to tender (₹ in crore)	Lowest bid (₹ in crore)	Name of the agency submitting the lowest bid	Accepted bid (₹ in crore)	Name of the Agency	Difference (₹ in crore)
1	GBS 3F- KR Puram	38.84	43.72	M/s Patil Constructions and Infrastructure Pvt. Ltd	46.88	M/s SEW-AIPP Ltd	3.16
2	GBS 4A- Bommanahalli	53.84	60.22	-do-	61.88	-do-	1.66
3	GBS 7B- Dasarahalli	45.79	51.57	-do-	55.53	M/s L&T Ltd	3.96
4	GBS 8A- Dasarahalli	28.05	30.10	-do-	38.39	M/s Prathiba industries Ltd	8.29
5	GBS 2B- Byatarayanapura	54.27	53.67	M/s Neev Santhinath Joint venture	55.73	M/s SEW-AIPP Ltd	2.06
6	GBS 2D- Byatarayanapura	63.23	62.52	-do-	64.14	-do-	1.62
7	GBS 01- Yelahanka	25.00	27.47	M/s Patil Constructions and Infrastructure Pvt.Ltd	28.08	M/s DSC-CIPL Joint Venture	0.61

The lowest bids in all these seven packages had been rejected by the Board on the ground that these were not substantially responsive. Scrutiny of the files showed the following:

As per the notice inviting bids, bids were to be accompanied by bid security in the form of Demand Draft/Bank Guarantee/Letter of Credit drawn in favour of the Additional Chief Engineer and payable in Bangalore. Further, the bid security of a joint venture entity should be in the name of the joint venture entity that submitted the bid. A substantially responsive bid was one that met the requirements of the bidding documents without material deviation, reservation or omission. A material deviation, reservation or omission, as defined in the bid documents, was one that, if accepted, would:

- affect in any substantial way the scope, quality or performance of the works specified in the contract; or
- limit in any substantial way, inconsistent with the bidding document, the Employer's rights or the bidder's obligations under the proposed contract; or
- if rectified, would unfairly affect the competitive position of other bidders presenting substantially responsive bids.

In all these seven cases, the bidders were joint venture companies and the bid security had been in the names of the lead partners of the joint ventures instead of in the names of joint venture companies as specified in the bid documents. A scrutiny of the joint venture agreements entered into in each of these seven cases showed that the lead partner of the joint venture had been authorised to conduct all businesses for and on behalf of any or all the partners of the joint venture during the bidding process as well as during contract execution. Though there was a deviation from the requirement prescribed in the bid documents, the deviation was not material for the following reasons:

A bid security is a form of security that ensures that a bidder will not withdraw its bid within the period specified for acceptance. Whether the bid security is in the name of the joint venture or in the name of the lead partner as permitted by the joint venture agreement, the determinative question in judging the sufficiency of the bid security is whether it could be enforced if the bidder subsequently failed to execute the required contract documents. As bid security furnished by the lead partner in all these seven cases was legally sufficient and enforceable, it did not constitute a material deviation. The bids in these cases were substantially responsive as the bid securities in the names of the lead partner did not affect the scope, quality or performance of the works and did not also limit the Employer's rights or the bidders' obligations. Besides, bid securing declaration had been submitted in all these cases in the names of the legally constituted joint ventures, as specified in the bid documents.

Thus, injudicious rejection of the substantially responsive bids in these seven cases resulted in extra expenditure of ₹ 21.36 crore to the Board.

The matter was referred to Government in June 2012; reply has not been received (November 2012).

3.1.6 Loss of rebate

The Bangalore Water Supply and Sewerage Board unilaterally repaid interest at a lower rate on loans availed from the Karnataka Urban Infrastructure Development and Finance Corporation and, in the process, lost the incentive rebate of ₹ 84.59 lakh provided in the loan agreements for timely repayment of interest and principal.

The State Government had approved (December 2003) the implementation of water supply and sewerage projects for seven City Municipal Councils and one Town Municipal Council falling within the Bangalore Metropolitan region at a cost of ₹ 658.64 crore. The Government also constituted a Project Steering Committee (PSC) under the Chairmanship of the Principal Secretary, Urban Development Department to monitor the project implementation.

The Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) had sanctioned a loan of ₹ 46.82 crore during September 2007 to November 2007 to these eight local bodies for implementing the project. Consequent upon merger of these local bodies with the Bruhat Bangalore Mahanagara Palike (BBMP), the PSC decided (February 2008) to transfer the loan liability of ₹ 46.82 crore to the Bangalore Water Supply and Sewerage Board (BWSSB), which was mandated with the responsibility of providing water supply and sewerage services in the BBMP area. The project implementation was also entirely shifted to BWSSB.

BWSSB took over the loan of ₹ 46.82 crore by entering (July 2008) into an agreement with KUIDFC. The loan carried interest at the rate of 5.5 *per cent* per annum. BWSSB further borrowed (August 2008) ₹ 106.51 crore from KUIDFC for the project at the same rate of interest. The agreements with KUIDFC provided for an incentive rebate of 0.5 *per cent* in the rate of interest if the quarterly installments of interest and the principal were paid punctually on or before the due date. BWSSB started servicing the loan by unilaterally calculating interest at a rate of 4.5 *per cent* against 5.5 *per cent* agreed upon, in spite of KUIDFC clarifying (June 2008) that the interest rate was 5.5 *per cent* and rebate of 0.5 *per cent* would be given only for prompt repayment. KUIDFC also turned down (September 2008) the request of the Board to reduce the interest rate to 4.5 *per cent* per annum. Subsequently, the PSC decided (June 2009) to pre-close the two loans as sufficient funds for project implementation were available. Accordingly, the Board repaid the loans in October 2009 and October 2010 at the agreed rate of 5.5 *per cent*. KUIDFC refused to allow the incentive rebate of 0.5 *per cent* aggregating ₹ 84.59 lakh as BWSSB had failed to service the loan at the agreed rate since beginning.

Injudicious action of the Board to repay interest unilaterally at a reduced rate without obtaining KUIDFC's concurrence resulted in non-availing of the incentive rebate of ₹ 84.59 lakh.

The matter was referred to Government in June 2012; reply has not been received (November 2012).

3.1.7 Excess payment to contractor

The Bangalore Water Supply and Sewerage Board inappropriately adopted current cost indices of a different commodity for regulating price adjustment and, in the process, made an excess payment of ₹ 6.82 crore to a company.

The Bangalore Water Supply and Sewerage Board (Board) invited (July 2009) tenders for providing raw water transmission system of the Cauvery Water Supply Scheme, Stage IV, Phase II (scheme) and awarded (February 2010) the work to a company at a cost of ₹ 210.62 crore with stipulation for completion by February 2012. As of August 2012, the Board had paid the company ₹ 159.68 crore for the work done and another ₹ 10.50 crore towards price adjustment and the work was in progress. We noticed the following from a scrutiny of the payments made towards price adjustment:

As per the agreement with the company, the price adjustment on account of changes in cost was to be determined in accordance with a formula attached thereto. In respect of iron and steel, price adjustment was to be reckoned considering 1993-94 base index of the average whole sale prices for "iron and steel", as published by the Reserve Bank of India (RBI). However, the RBI published the price indices from August 2010 by shifting the base level from 1993-94 to 2004-05. While doing so, the RBI revised the sub-groups of the commodities. While "iron and steel" was a distinct sub-group under the group "Basic Metals and Alloys and Metal Products" prior to August 2010, new sub-groups such as "Iron and Semis", "Steel: Pipes and Tubes" etc. were introduced under the same group from August 2010.

As steel pipes had been used in the raw water transmission system, the appropriate sub-head for determining the price adjustment for materials would, therefore, be "Steel: Pipes and Tubes". However the Board, while switching over to the base level indices of 2004-05, regulated the price adjustment on the basis of fluctuations in price indices of "Iron and Semis", instead of "Steel: Pipes and Tubes".

Irregular adoption of the current cost indices of iron and semis instead of steel pipes for regulating price adjustment resulted in an excess payment of ₹ 6.82 crore to the company (**Appendix-3.1)** for the work carried out during August 2010 to August 2011.

The matter was referred to Government in July 2012; reply has not been received (November 2012).

3.1.8 Unauthorised diversion of health cess

Bangalore Development Authority irregularly diverted health cess collections aggregating ₹ 13.26 crore for unauthorised purposes.

Under the provisions of the Karnataka Health Cess Act, 1962 (Act), health cess is levied to augment the revenues of the State, specially for implementing a programme of adequate health service to the citizens. The health cess is to be levied at the rate of 15 per cent on taxes on land and buildings. The Act prescribes that where the health cess is recovered by a local authority, such local authority is to deduct 10 per cent of the amount recovered as cost of collection and remit the balance to Government.

Bangalore Development Authority (BDA) is a local authority for levy and collection of health cess on property tax collected on land and buildings. We found that during the period 2001-02 to 2008-09, BDA had utilised ₹ 12.25 crore of the health cess collected for making contributions to the Chief Minister's Relief Fund and other medical institutions as shown below:

Year	Name of the institution	Contribution (₹ in lakh)
2001-02	CM's Relief Fund	100.00
2002-03	CM's Relief Fund	100.00
2003-04	CM's Relief Fund	100.00
2004-05	CM's Relief Fund	100.00
2005-06	CM's Relief Fund	75.00
2006-07	Jayadeva Institute of Cardiology and Kidwai Memorial Cancer Institute	150.00
2007-08	CM's Relief Fund	200.00
2008-09	CM's Relief Fund and Indira Gandhi Institute of Child Health	400.00
	Total	**1225.00**

These contributions had been made on the basis of requests received from the Chief Minister and the heads of medical institutions. In addition, BDA had paid (February 2002) ₹ 1.01 crore out of the cess collected to the Bangalore Water Supply and Sewerage Board towards cleaning of the Ulsoor lake. In all these cases, BDA's Board had either approved the contribution or ratified the contributions made by the Commissioner. BDA stated (October 2011) that the contributions had been made as these were utilised for providing medical assistance to the poor and mitigating the hardship caused by accidents and unforeseen conditions. The reply was not acceptable as the health cess collected was to be remitted to Government as per the provisions of the Act and the Board had no powers to override the provisions in the Act. Further, the cess collections were to be utilised only for purposes authorised by the Act.

Thus, the Board irregularly diverted the health cess collections aggregating ₹ 13.26 crore for unauthorised purposes, in total disregard of the provisions in the Act.

The matter was referred to Government in August 2012; reply had not been received (November 2012).

3.2 Audit against propriety/Expenditure without justification

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

URBAN DEVELOPMENT DEPARTMENT

3.2.1 Ineffective restoration of a lake at a huge cost

The investment of ₹ 22.69 crore on restoration and development of Malathahalli lake failed to prevent contamination of the lake by untreated sewage.

Bangalore Development Authority (BDA) took up the restoration and development of the Malathahalli lake. The Detailed Project Report (DPR) prepared by BDA in May 2008 through a consultant had highlighted that the lake had been highly polluted[1] as there was no underground sewerage system to transmit the sewage and sullage from the housing layouts in the watershed area to a trunk sewer and to a treatment plant. The sewage and sullage entered the lake through three inlet channels. To prevent further pollution of the lake, the DPR proposed the following measures.

- Construction of a leap weir or diversion weir at the end point of inlet channel No.1 and laying of a diversion sewer from the diversion weir to the wet sump of a 5 MLD Tertiary Treatment Plant (TTP) to be constructed in the north-east corner of the lake. While the tertiary treated effluent to the extent of 2.5 MLD was to be supplied to the lake to maintain water level in the lake throughout the year, the balance quantity was planned to be used for watering the parks around the lake. Any sewage inflow into the wet sump in excess of 5 MLD was to be diverted by laying an overflow pipe sewer to be connected to the trunk sewer to the 60 MLD Sewerage Treatment Plant (STP) proposed to be constructed by the Bangalore Water Supply and Sewerage Board (BWSSB). In the event of any delay in completion of the trunk sewer by the BWSSB, the DPR envisaged laying a bypass sewer from the leap weir chamber to the down stream of the lake over a length of 1600 m.
- In respect of inlet channels No 2 and 3 also, a leap weir was to be constructed for each channel with necessary diversion sewers and manholes. BDA was to connect these diversion sewers to the sewerage system to be constructed for Blocks 8 and 9 of Sir M.Visvesvaraya Layout.

BDA entrusted (July 2009) the restoration and development of the Malathahalli lake to a contractor on the basis of his lowest tender costing ₹ 9.29 crore with stipulation for completion within 14 months. The work

[1] Five MLD of untreated sewage and sullage was entering the lake.

consisting of construction of stone pitched storm water inlet structures with retention walls for the three channels, refurbishing the existing tank bund, strengthening the existing waste weir, desilting of the lake bed, construction of three wet bunds, construction of walkway, chain link fencing, office building etc., had been completed at a cost of ₹ 9.09 crore during November 2010. However, tenders for establishing and commissioning 5 MLD TTP were invited only during January 2010 and the work was awarded to a contractor in August 2010 at a cost of ₹ 13.34 crore. The work was completed in November 2011 at a cost of ₹ 13.60 crore.

Scrutiny showed that BWSSB had impressed (April 2010) upon BDA the need for timely construction of the TTP to ensure that the lake which had been desilted would not be again polluted by discharge of sewage into the lake and would be kept free from eutrophication[2]. As there was considerable delay in fixing the agency for construction of the TTP after desilting the lake, the lake was continued to be contaminated by the flow of sewage till construction of the TTP.

Further, the sewage flow into the lake did not stop even after construction of the TTP, as sewage in excess of 5 MLD was flowing into inlet channel No 1. The overflow sewer for diverting of the excess sewage could not be connected to the trunk sewer as the work on the same, taken up in October 2010, had not been completed by BWSSB. The bypass sewer to divert the sewage in the event of delay in completion of the trunk sewer by BWSSB had also not been constructed by BDA. As a result, the excess sewage from inlet channel No.1 was overflowing into the lake through the leap weir, filling the wet land pond of the lake with raw sewage.

The diversion sewers from inlet channels No2 and 3 also could not be connected to the sewerage system of Sir M.Visvesvaraya Layout as BDA had not completed the work. The Commissioner, BDA requested (December 2011) Chairman, BWSSB to complete the work on the trunk sewer immediately and divert the excess sewage from entering the lake. However, the trunk sewer had not been completed and the lake continued to be polluted (April 2012).

The DPR had cautioned that if the proposed trunk sewer of BWSSB was not commissioned within a few years and the quantum of raw sewage flow exceeded 5 MLD, the capacity of the TTP would have to be suitably enhanced. However, BDA had not taken any action to explore the feasibility of enhancing the capacity of the TTP to guard against contamination of the lake.

Thus, despite incurring an expenditure of ₹ 22.69 crore, the contamination of the lake could not be prevented, rendering its ecosystem vulnerable to degradation.

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[2] The process by which a body of water acquires a high concentration of nutrients, especially phosphates and nitrates. These promote excessive growth of algae. As the algae die and decompose, high levels of organic matter and the decomposing organisms deplete the water of available oxygen, causing the death of other organisms, such as fish.

The matter was referred to Government in July 2012; reply has not been received (November 2012).

3.2.2 Extra expenditure

The Bangalore Development Authority prepared the designs for three flyovers and two grade separators considering the use of steel of grade Fe 415. However, during preparation of estimates and execution of these works, steel of grade Fe 500 had been considered. Though the steel requirement using Fe 500 grade was less as compared to Fe 415 grade, the BDA did not revise the designs suitably, leading to unnecessary consumption of more steel on these works and the attendant extra expenditure of ₹ 4.33 crore.

Among the two grades of steel, viz Fe 415 and Fe 500, which are used for construction of structures like dams, bridges and high rise buildings, Fe 500 has more tensile strength than the other. The steel requirement using Fe 500 is less as compared to Fe 415. Where one metric tonne (MT) of Fe 415 is required, the corresponding quantity, if Fe 500 is used, would only be 0.83 MT. In terms of IRC: 21-2000, while the basic permissible stress in steel reinforcement using Fe 415 is 200 MPa, it is 240 MPa if Fe 500 is used. Thus, more the tensile strength of steel, less the consumption of steel.

In the case of three flyovers and two grade separators entrusted (September and November 2009) by the Bangalore Development Authority (BDA) to a company, the design for the structures had been finalized using Fe 415. However, the estimates for these works had been framed using the rates applicable for Fe 500 and the company entrusted with these works had also used only Fe 500 as evidenced by the test reports. However, the BDA had not revisited the design and incorporated necessary changes to factor in usage of Fe 500 and bring down the quantity of steel required. As a result, Fe 500 had been used by the company in place of Fe 415 without any reduction in the quantity of steel. The excess quantity of Fe 500 consumed on these five works aggregated 769.25 MTs as shown in the Table below:

Name of the work	Quantity of Fe 500 actually consumed (MT)	Rate paid (₹ per MT)	Excess quantity of Fe 500 consumed (MT)	Extra expenditure (₹ in lakh)
Flyover at Bellandur junction	929.19	57423	157.96	90.71
Flyover at HSR layout	1140.63	57423	193.91	111.35
Flyover at Devarabeesanahalli	893.49	57423	151.89	87.22
Grade separator at Kadubeesanahalli	754.72	54461	128.30	69.87
Grade separator at Mahadevapura junction	806.99	53958	137.19	74.02
Total			769.25	433.17

Thus, failure to revisit the design for structures after deciding upon the use of grade Fe 500 resulted in extra expenditure of ₹ 4.33 crore.

The matter was referred to Government in July 2012; reply has not been received (November 2012).

3.3 Persistent and pervasive irregularities

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

FINANCE DEPARTMENT

3.3.1 Excess payment of Family Pension

The Karnataka Government Servants (Family Pension) Rules, 2002 provide that when a Government servant dies while in service, his/her family is entitled to Family Pension at double the normal rate or fifty *per cent* of the last pay drawn by the deceased Government servant, whichever is less, for a period of seven years from the date following the date of death or till the date on which the Government servant would have attained the age of sixty five years had he/she remained alive, whichever is earlier. Majority of the pension payments are made through Banks and the Banks, after crediting the Family Pension amount to the SB accounts concerned, forward the claim through the link branch and the claim is settled by the treasury.

During 2011-12, in 744 cases relating to 31 district treasuries, Public Sector Banks made payment of Family Pension at enhanced rates beyond the period mentioned in the Pension Payment Orders, resulting in excess payment of ₹ 3.43 crore (**Appendix-3.2**). In respect of 23 treasuries, further excess payment of ₹ 1.10 crore was noticed in 228 cases in spite of excess payment having been pointed out in earlier years in these cases, resulting in total continued excess payment of ₹ 1.84 crore (**Appendix-3.3**).

Failure on the part of the Public Sector Banks to monitor and adhere to the cutoff date for payment of Family Pension at enhanced rates resulted in these excess payments. The Public Sector Banks continued to make payments at enhanced rates beyond the period mentioned in the Pension Payment Orders although we had highlighted instances of such excess payments on a number of occasions in the past.

In response to audit observations, the Government and Directorate of Treasuries had also been repeatedly emphasizing by detailing the procedure to be followed by the Banks to recover the excess Family Pension paid. However, scrutiny of the instructions issued by the Government/Director of Treasuries showed that these only prescribed the mode of recovery after excess payments had been made by the Banks and failed to prescribe necessary checks and balances to guard against excess payment by the Banks.

The matter was referred to Government in July 2012; reply had not been received (November 2012).

URBAN DEVELOPMENT DEPARTMENT

3.3.2 Avoidable expenditure

Bangalore Water Supply and Sewerage Board persistently defaulted in payment of water cess to the Karnataka State Pollution Control Board during 2003-12 and in the process, was burdened with a huge undischarged liability of ₹ 19.10 crore towards interest and penalty.

The Bangalore Water Supply and Sewerage Board (BWSSB) is a statutory body entrusted with the duty of providing water supply and sewerage treatment in the Bangalore Metropolitan region. Under the Water (Prevention and Control of Pollution) Cess Act, 1977, BWSSB is liable to pay to the Karnataka State Pollution Control Board (Board) water cess calculated at the rate of two paise per kilolitre of water used for domestic purposes or at a higher rate of three paise per kilolitre in the event of non-compliance with any of the provisions of Section 25 of the Water (Prevention and Control of Pollution) Act, 1974 or any of the standards laid down in the Environment (Protection) Act, 1986. Failure to pay the cess assessed by the Board within the time frame specified in the assessment order would attract levy of interest on the cess amount at the rate of two *per cent* per month for the period of delay. Besides, the Board was also empowered to impose on BWSSB a penalty not exceeding the amount of cess in arrears.

Though BWSSB was to file returns with the Board on the fifth of every month, no returns had been filed from October 2003 to January 2010. The returns for the period October 2003 to May 2009 had been filed only in July 2009. After making a payment of ₹ 80 lakh to the Board during July-August 2003, BWSSB failed to pay any amount towards cess thereafter. The Board raised (October 2007) a demand of ₹ 24.54 crore on BWSSB for the period ending June 2007. The demand included ₹ 8.50 crore towards cess in arrears calculated at the rate of three paise per kilolitre, ₹ 11.26 crore towards interest and ₹ 4.78 crore towards penalty. In a meeting held with the Board during December 2009, BWSSB offered to pay the amount of cess in arrears, if interest and penalty was waived off by the Board.

There were no further developments till April 2011 when the Board directed BWSSB to remit ₹ 29.01 crore, falling due as of November 2010. When BWSSB reiterated (May 2011) its earlier offer of clearing only the amount of cess in arrears, the Board referred (August 2011) the matter to the Ministry of Forest and Environment, Government of India (Ministry), seeking permission to waive off interest and penalty. However, the Ministry turned down (September 2011) the proposal on the ground that the rate of interest had been provided in the statute itself without any enabling provision to reduce or waive off the interest. Intimating BWSSB of the Ministry's decision, the Board raised (October 2011) a fresh demand of ₹ 29.55 crore for the period ending March 2011 (cess in arrears: ₹ 10.45 crore, interest: ₹ 14.32 crore and penalty: ₹ 4.78 crore). BWSSB had not discharged the liability so far (November 2012).

Scrutiny showed that though BWSSB had been filing the monthly returns regularly from February 2010, the amount of cess due as per the returns had not been remitted, leading to continued accumulation of arrears of cess and the attendant consequence of levy of interest and penalty by the Board. The payment of cess, though mandated in the statute, had also not been factored in while fixing the water rate recoverable from the consumers. Thus, while on the one hand, the Board was unable to pass on the cess to the consumers due to inappropriate fixation of the water rate, on the other hand it had been increasing its liability by persistently defaulting on payments due to the Board. The oversight mechanism in BWSSB failed to rectify this persistent irregularity which resulted in undischarged liability of ₹ 19.10 crore towards interest and penalty for belated payment of water cess to the Board.

The matter was referred to Government in June 2012; reply has not been received (November 2012).

3.4 Failure of oversight/governance

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

LABOUR DEPARTMENT

3.4.1 Continued Government support to an Institute which did not have the capacity to deliver

The Karnataka State Labour Institute, despite being not in a position to discharge the mandated functions even three years after its formation, continued to receive Government grants year after year and as a result, the major portion of the grants remained unutilized.

The Karnataka State Labour Institute (Institute) was registered (February 2009) as a society with the broad aim of creating awareness and providing a forum for training as well as information dissemination to all the stakeholders in labour management and industrial relations. The main objectives of the Institute were:

- To start certificate and diploma courses for the students as well as practitioners in the field of labour management;
- To prepare long term training modules based on functional requirements for the officers of the Labour Department;
- To advocate statutory compliances with the labour standards, promote voluntary compliances and evolve certification process;

- To create database and standardize labour statistics;
- To disseminate knowledge and information regarding labour laws;
- To conduct impact assessment studies to improve and update the existing labour laws; and
- To build networks and partnerships with labour institutes, universities and other research based organisations.

The Commissioner of Labour headed the Managing Committee of the Institute.

While the Institute received Government grants of ₹ 1.47 crore during 2009-11, the expenditure incurred was a dismal ₹ 10.81 lakh, mainly on 20 training programmes and salaries of a skeleton administrative staff. Though the Institute had huge unspent grants, the Government released grant of ₹ 1.97 crore to the Institute during 2011-12 without monitoring the utilization of the grants previously provided. As of March 2012, against the receipts of ₹ 3.62 crore[3], the Institute had spent only ₹ 20.94 lakh.

The Institute had not prepared any strategic plan outlining the activities to achieve its objectives and had made no headway in capacity building even three years after its formation and its response to the mandated functions was, at best, tepid. Continued funding of the Institute through Government grants was, therefore, not justified as it only resulted in parking of huge funds outside the Consolidated Fund.

The Government stated (September 2012) that action would be taken to direct the Labour Commissioner to surrender ₹ 3.19 crore out of ₹ 3.44 crore released to the Institute. Details of remittance of ₹ 3.19 crore to the Government account by the Institute were awaited (September 2012).

PRIMARY AND SECONDARY EDUCATION DEPARTMENT

3.4.2 Non-remittance of fee to Government account

Aided Pre-University colleges failed to remit the fees collected from the students to the Government account, though mandated by the rules. This facilitated continued retention of fees, due to Government, outside the Government account. The amounts so retained by 74 aided Pre-University colleges aggregated ₹ 13.04 crore.

The Government had prescribed from time to time the fee to be collected from the students enrolled in Government and Government aided Pre-university (PU) colleges. The fee of ₹ 150 per student for Government PU colleges and ₹ 300 per student for aided PU colleges, prescribed by Government in May 1996, had been subsequently revised four times, the last revision being in May 2010. The fee currently being collected was ₹ 420 by Government PU colleges and ₹ 840 by aided PU colleges. According to instructions issued (February 1998) by Commissioner for PU Education (Commissioner), 50 *per*

[3] Rent: ₹ 343.73 lakh, interest on investment: ₹ 16.98 lakh and other receipts: ₹ 1.14 lakh

cent of the fee collected by aided colleges were to be remitted to the Government account and the remaining 50 per cent could be used by the colleges. However, Karnataka Pre-University Education (Academic, Registration, Administration and Grant-in-aid etc) Rules, 2006 which came into effect from July 2007 required the aided PU colleges to remit the entire tuition fee collected to the Government account.

In respect of 74 aided PU colleges in Bangalore North, Bangalore South and Dharwad districts, we found that ₹ 13.04 crore collected as fee from the students since 1997-98 had not been remitted to the Government account. Monitoring of the remittances of fees collected by aided PU colleges to the Government account was absent as no mechanism had been put in place by the Commissioner to track the collection and remittance of fees by the aided PU colleges. This facilitated continued retention of fees due to Government outside the Government account. The Government stated (November 2012) that pursuant to the audit finding, tuition fee of ₹ 3.58 crore collected from 111 colleges had since been remitted to the Government account and the Department was to complete the entire process within a short period. Though the Department had kickstarted the process of remittance of the fees to the Government account, only 17 *per cent* of the total number of aided colleges had so far remitted the fees to the Government account. Further, the aided colleges had parked these fees in bank accounts and earned interest. It is, therefore, imperative that the Government should direct the aided colleges to remit such interest also to the Government account.

3.4.3 Idle investment on equipment

The Department of Collegiate Education procured equipment for receiving centres and broadcast studio to implement the EDUSAT programme in 142 colleges of the State. As the broadcasting studio had not been completed, investment of ₹ 1.81 crore made on the equipment remained idle for more than three years.

The Department of Collegiate Education (Department) had initiated (December 2005) 'EDUSAT' programme as part of its e-governance initiatives to supplement the conventional mode of education through satellite-based teaching and learning. The programme was to be implemented in selected colleges with the support of the Indian Space Research Organisation (ISRO) and Visweswaraya Technology University (VTU) using a Direct-to-Home (DTH) network. ISRO was to provide the necessary technical support, and the Department was to install the receiving infrastructure such as projectors, DTH equipment etc., in the colleges. The Government approved (February 2006) the proposal of the Department to purchase projectors and DTH equipment for implementing the programme. Although the Department had decided (December 2005) to set up studio facilities on its own during 2006-07 after seeking of funds from the Government, no follow up action was taken to set up the studio as planned.

The Department set up receiving centres in 142 colleges during 2007-08 at a cost of ₹ 1.51 crore and completed 42 sessions of EDUSAT telecast by hiring the studio of VTU at a cost of ₹ 1.23 lakh. However, the Department did not continue the programme from 2008-09 as VTU did not provide appropriate time slot. When the civil works for the building to house the studio was completed, the Department procured studio equipment costing ₹ 29.86 lakh from KEONICS, Bangalore during 2009-10. However, the studios had not been set up as of November 2012. As no broadcasting studio was available for the Department, the receiving centres in 142 colleges and the studio equipment procured at a cost of ₹ 1.81 crore had remained non-functional for three to four years. The Government stated (November 2012) that though there was no doubt about the delay in setting up the studio and not continuing the programme, the Department was committed to continue the project and start telecasting of programmes in January 2013. The reply was not acceptable for the following reasons:

(i) The Department had failed to set up the studio during 2006-07 as planned. Though the civil works for the building had been completed during 2009-10, the studio had not been set up even as of November 2012; and

(ii) Without setting up the studio, studio equipment costing ₹ 29.86 lakh had been purchased during 2009-10.

Thus, failure to dovetail the setting up of the studio and the procurement of equipment into an integrated programme resulted in idle investment of ₹ 1.81 crore on the project since 2008-09 besides depriving the students of better quality education using modern technology.

CHAPTER - 4

FUNCTIONING OF GOVERNMENT DEPARTMENT

Chapter-4
Functioning of Governnment Department
Animal Husbandry and Fisheries Department

4.1 Audit of Department of Fisheries

Executive Summary

The Department of Fisheries is responsible for enhancing fish production with sustained conservation of resources and improving the socio-economic standards of fishermen. An audit of the Department covering 2007-12 had been conducted to examine the economy, efficiency and effectiveness of its significant activities, keeping in view its mandate.

The audit of the Department showed the following:

Large number of vacancies in technical posts handicapped the Department in effective implementation of the programmes and schemes taken up for augmenting fish production. The Department also suffered from several institutional weaknesses such as absence of a Fisheries Policy, non-revision of the Fisheries Manual, inadequate arrangements for monitoring the implementation of schemes, and huge shortfall in internal audit.

The budgetary control mechanism in the Department was weak, as evidenced by non-preparation of realistic budget estimates, necessitating persistent huge savings year after year. The expenditure control was weak, as amounts surrendered were either in excess of the savings or far below the savings.

Though marine and inland fish production showed an impressive growth during 2007-12, there was shortfall in achieving the estimated potential growth. The inadequate capacity of the fishing harbours was a major constraint in optimum utilisation of the marine resources.

The inland fish production was sub-optimal as the fingerlings production in the State fell short of the requirement by 26 per cent during 2011-12. The fish seed production by the departmental farms fell short of the target during 2007-12 mainly due to lack of maintenance of the fish ponds. Subsidy paid for construction of fish ponds had been misused by fishermen.

Implementation of schemes for the welfare of the fishermen was not effective as the relief to the fishermen during the period of ban on fishing had been delayed and construction of houses by fishermen lagged behind schedule despite disbursement of subsidy.

4.1.1 Introduction

The State of Karnataka has vast potential for fish production. It has 5.60 lakh hectares (ha) of fresh water sources consisting of 2.93 lakh ha of ponds and tanks and 2.67 lakh ha of reservoirs. In addition, the State has 8000 ha of brackish water resources and 300 km of coastline with a continental shelf area of 27,000 sq.km. The marine fish production in Karnataka during 2011-12 was 3.47 lakh metric tonnes (MTs). Of this, 0.86 lakh MTs of marine products valued at ₹ 658.46 crore had been exported. The inland fish production during 2011-12 was 1.98 lakh MTs. The fishermen population of the State is 7.66 lakh, which includes 4.91 lakh inland fishermen and 2.75 lakh marine fishermen.

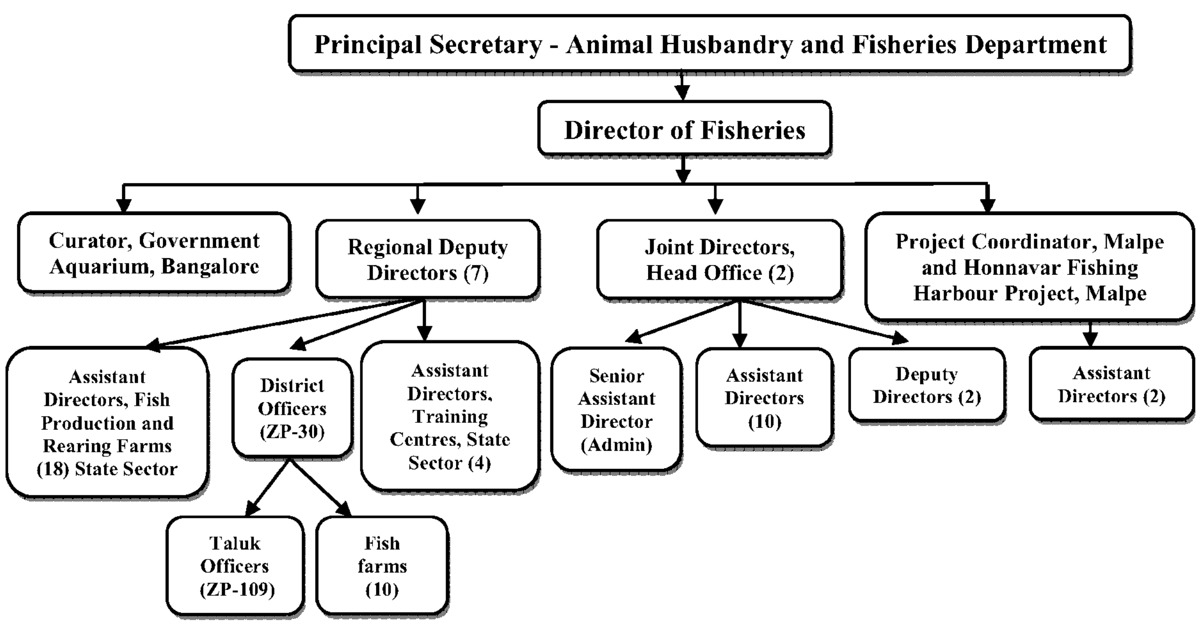
The Department of Fisheries (Department) had been established during 1957 with the following objectives:

- to augment fish production;
- to develop infrastructure for fish landing, handling, preserving, processing and marketing;
- to provide employment opportunities to rural folk by adopting fish culture in rural tanks and ponds; and
- to support the socio-economic development of fisher-folk.

4.1.2 Organisational set-up

The Department functioned under the overall control of the Principal Secretary to Government, Animal Husbandry and Fisheries Department. The organisational chart of the Department is given below:

Organisational Chart of the Department of Fisheries



There were 34 Drawing and Disbursing Officers (DDOs) in the State Sector including the Director, seven[1] Regional Deputy Directors (RDDs), one Project Coordinator (PC) and 25 Assistant Directors (ADs) at the district/taluk levels. In addition, there were 149 ADs in the District Sector, functioning under the administrative control of the Chief Executive Officers (CEOs) of the Zilla Panchayats (ZPs).

The construction activities of the Department were carried out by two Engineering Divisions at Udupi and Karwar, under the administrative control of the Public Works Department (PWD). Besides, the Karnataka Fisheries Development Corporation (KFDC), Mangalore, Karnataka State Co-operative Fisheries Federation, Mysore, Dakshina Kannada and Udupi Districts Co-operative Fish Marketing Federation, Mangalore and Uttara Kannada District Co-operative Fish Marketing Federation, Karawar had also been functioning in the State to assist the Department in achieving its objectives.

4.1.3 Audit Objectives

Our objectives for the audit of the Department were to ascertain whether:

- the institutional capacity was adequate to achieve the desired objectives and the institutional mechanisms functioned optimally;
- the Department complied with the relevant rules, laws and regulations while discharging its mandated functions; and
- the schemes and activities undertaken by the Department delivered the expected results efficiently and effectively.

4.1.4 Audit Criteria

The audit criteria had been derived from the following sources:

- Departmental Manual;
- Perspective Plan and Annual Plan;
- Karnataka Marine Fishing (Regulations) Act, 1986;
- Programme/scheme guidelines issued by Government of India (GOI)/ State Government;
- Karnataka Financial Code and Budget Manual; and
- Instructions, circulars and orders issued by the GOI and the State Government.

4.1.5 Audit Sample, Scope and Methodology

Our audit covered the activities of the Department for the period from 2007-08 to 2011-12. Out of 183 DDOs (34 under State Sector and 149 under ZP) in the State, 15 DDOs under the State Sector and 35 DDOs under the District Sector had been selected for test-check. The State Sector sample which had been

[1] Bangalore, Belgaum, Bellary, Karwar, Mangalore, Mysore and Shimoga

done on the basis of stratified sampling and Probability Proportional to Size sampling without replacement covered the Directorate, five[2] out of seven RDDs, five[3] out of 18 Fish Farms, one[4] out of four training centres and the Project Co-ordinator, Harbour Project, Malpe. The sample for the District Sector based on simple random sampling covered nine[5] out of 30 District officers and 25 out of 109 taluk level officers. Besides, the Karnataka Fisheries Development Corporation (KFDC) and one out of the two Ports and Fisheries Divisions responsible for implementing fisheries projects/schemes had also been covered.

We commenced the audit with an entry conference with the Principal Secretary, Animal Husbandry and Fisheries in April 2012, wherein the scope, audit objectives and criteria for the audit were explained. The field audit of the selected offices/units was conducted between April 2010 and July 2010. The audit comprised examination of records as well as interaction with the officers and officials of the Department. The audit findings were discussed with the Principal Secretary, Animal Husbandry and Fisheries Department in the exit conference held on 16 October 2012. The Report takes into account the replies furnished by various offices of the Department to the audit observations.

Audit Findings

4.1.6 Institutional weaknesses

Every organisation needs to have a robust institutional mechanism to achieve its mandate and policies. This would ensure soundness and appropriateness of the internal systems and controls in its key areas of activities and drive the organisation towards the objectives in an economical, efficient and effective manner. Some of the areas, where institutional weaknesses had been observed, are discussed in the succeeding paragraphs.

4.1.6.1 Shortage of manpower

The Department had a sanctioned strength of 1401 posts, of which 540 posts (39 *per cent*) remained vacant as of March 2012. Of these vacancies, 66 were in the cadre of AD and another 474 were in the cadre of support staff consisting of ministerial staff, supervisors and Fisheries Fieldmen. The vacancy position was acute in the technical cadres of Fisheries Fieldmen (61 *per cent*), Fisheries Supervisors (50 *per cent*), ADs, Grade II (31 *per cent*) and First Division Assistants (42 *per cent*). The details are given in **Appendix-4.1.** Though vacancies in these cadres had persisted during 2007-12, the Department sent proposals to Government for filling up vacancies in the cadres of AD and Fisherman only during March 2009 and September 2012 respectively. The Government had sanctioned (May 2011) the appointment of only 30 ADs so far (September 2012). A large number of vacancies, especially in the cadres of AD and Fisheries Fieldmen, hampered the working

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2 Bangalore, Karwar, Mangalore, Mysore and Shimoga

3 Bund Breeding BRP, , Malaprabha , NFSF BRP, TG Halli , VV Sagara

4 KR Sagara

5 Bangalore(U),Chitradurga, Dakshin Kannada,Hassan Mysore, Ramanagara, Shimoga, Udupi and Uttar Kannada

of the departmental farms [as discussed in Paragraph 4.1.8.8(b)] and resulted in inadequate monitoring of the implementation of various schemes (as discussed in Paragraph 4.1.6.7)

4.1.6.2 Fisheries Policy

Though the Department had been established during 1957-58, it had not framed any Fisheries Policy. The Government formulated (January 2006) a comprehensive policy only for granting fishing rights in water resources in the State. A draft Fisheries Policy proposed in March 2012 was awaiting approval of the Government (July 2012). In the absence of a policy, the Department lacked strategic planning to augment fish production in the State.

4.1.6.3 Enforcement of Marine Fishing (Regulations) Act

In order to conserve sea stock, the Government had imposed a ban on operation of mechanized boats for a specified period every year and also on use of certain types of gears under the Karnataka Marine Fishing (Regulations), Act, 1986. Catching in any specified area of such species of fish had also been banned. However, we found that the Department had not equipped itself with infrastructural facilities like patrol boats and other equipment for effective enforcement of the provisions of the Act. The Director stated (June 2012) that during the period of the ban (15 June to 10 August in Dakshina Kannada and Udupi districts and 15 June to 31 July in Uttara Kannada district), the movements of boats of fishermen had been monitored by the staff present in the harbours as these mechanised boats normally operated from the harbours. It was further stated that there was voluntary involvement of fishermen, cooperatives, unions and other locals in the implementation of the ban and diesel exempted from sales tax had also not been supplied to the mechanised boats for fishing during this period. The reply was not acceptable as 839 trawlers and purse-seiners had operated from 14 Fish Landing Centres where departmental staff had not been posted.

4.1.6.4 Non-leasing of rivers/estuaries in the coastal region

As per the policy for granting fishing rights (January 2006), the Department was to give fishing rights in the rivers/estuaries by granting leases. Out of 17 rivers/estuaries with potential for fishing along 485.76 km, fishing rights had been given on lease basis only for 29 km in respect of two estuaries. The Director stated (July 2012) that fishing rights in the remaining rivers/estuaries could not be given in view of the poor demand. It was further stated that action would be taken to lease out the remaining water bodies.

4.1.6.5 Non-revision of lease rent

As of March 2012, the Department had granted 857 leases giving fishing rights in water bodies. The maximum permissible lease period was 5 years with 5 *per cent* enhancement of the lease amount for every subsequent year. The Department fixed (January 2006) the lease amount at the rate of ₹ 150 per ha for reservoirs/tanks and ₹ 150 per km for rivers/canals/estuaries with effect from 1 July 2005. Our scrutiny of renewal of the leases showed that the lease rent at the time of renewal had been fixed again at ₹ 150 per ha though the same lessee had been paying ₹ 182 per ha before seeking renewal. Such fixation of lower lease rent was against the spirit of renewal. The Director stated (July 2012) that proposals for fixing the lease rent at ₹ 300 per ha/km or the average of the lease rent paid during the last three years, whichever was higher, had been submitted to Government during May 2010 and approval was awaited (September 2012).

4.1.6.6 Lack of monitoring of the schemes implemented by Federations and Cooperative Societies

The Government implemented two schemes viz., Matsya Mahila Swavalambane and Matsya Ashraya through the Co-operative Federations (Mangalore, Mysore and Karwar) and Fisheries Co-operative Societies by providing financial assistance. Though the Government released financial assistance of ₹ 17.28 crore and ₹ 1.05 crore to the Federations and Co-operative Societies respectively during 2007-12 for implementation of these schemes, the release orders did not insist on submission of utilisation certificates by these Federations and Societies. We found that there was no well-defined structured mechanism in place at the Directorate to monitor the utilisation of the funds by these Federations and Societies and the effectiveness of the implementation of the schemes. For instance, in respect of Matsya Mahila Swavalambane scheme, the departmental officers were to inspect the scheme implementation and submit a quarterly report to the Director. However, no quarterly reports had been submitted as prescribed. Though the Director received audited accounts of the Federations, there was no feedback on the effective implementation of the scheme. Absence of monitoring of the implementation of the schemes by the Federations and Co-operative Societies was fraught with the risk of irregularities in implementation of the schemes by these agencies and the attendant consequence of failure to deliver the services expected under the schemes.

4.1.6.7 Monitoring mechanism for schemes implemented in District Sector

As per the Departmental Manual, the RDD was to periodically inspect implementation of schemes by the District Sector offices under his control and submit a report to the respective CEOs of the ZPs. However, we found that the RDDs had inspected only a very few offices under their control as shown in **Table-4.1**:

Table-4.1:Details of inspections conducted by RDDs during 2007-12

Year	Bangalore region		Karwar region		Mysore region	
	No. of offices	No. of offices inspected	No. of offices	No. of offices inspected	No. of offices	No. of offices inspected
2007-08	35	1	14	Nil	33	2
2008-09	35	9	14	4	33	Nil
2009-10	35	3	14	Nil	33	3
2010-11	35	1	13	Nil	33	1
2011-12	35	1	13	1	39	9

(Source: Information furnished by the RDDs)

RDDs at Karwar and Mysore stated (July 2012) that inspection of the offices could not be done due to paucity of staff and increased workload. The reply was not acceptable as the Department's efforts to fill up the vacancies in different cadres were inadequate (as discussed in Paragraph 4.1.6.1). Shortfall in inspections deprived the Department of the opportunity of monitoring the implementation of various schemes and taking remedial action to rectify the shortcomings, if any, in implementation.

4.1.6.8 Internal Audit

Establishment of a dedicated internal audit wing is important for effective monitoring of implementation of various schemes as well as the day-to-day activities. However, the Department had not established an exclusive internal audit wing and had also not prescribed the periodicity of internal audit. Instead, an audit team from the Directorate conducted audit of the field offices and reported the findings to the Director. The details of inspections conducted during 2007-12 by the audit team were as shown in **Table-4.2.**

Table-4.2: Details of inspections conducted by the audit team

Year	Total no. of field offices	Number of offices targeted for audit	Number of offices inspected
2007-08	43	24	19
2008-09	43	26	7
2009-10	43	41	2
2010-11	43	43	Nil
2011-12	43	39	4

(Source: Information furnished by the Director)

Huge shortfall in the audit of the field offices was fraught with the risk of continued non-detection of irregularities, if any.

4.1.6.9 Non-maintenance of database

The Department had been implementing 13 schemes envisaging disbursement of subsidy to a large number of fishermen for various purposes. During 2007-12, subsidy of ₹ 73.77 crore had been disbursed as shown in **Table-4.3**:

Table-4.3 : Subsidy disbursed to fishermen under various schemes

Year	Subsidy disbursed (₹ in crore)
2007-08	4.72
2008-09	11.14
2009-10	12.18
2010-11	14.42
2011-12	31.31
Total	**73.77**

(Source: Appropriation Accounts)

We found that no database of beneficiaries receiving the subsidies had been maintained at the level of the implementing officers and controlling officers. The manual registers maintained in the taluk offices to acknowledge the receipt of the subsidies had not been verified at the time of disbursing subsidy to a beneficiary to rule out double payments. In the absence of a database, grant of subsidy to the same beneficiary under the same scheme during different periods more than once could not be ruled out. During our test-check, we found in Bhadravathi taluk that subsidy of ₹ 1250 and ₹ 2000 under "Matsyavahini scheme" had been paid to the same beneficiary during two consecutive years (2008-09 and 2009-10). The Director, while accepting the audit observation, agreed (July 2012) to create a web-based information system to monitor the grant of various benefits under the scheme.

4.6.1.10 Non-revision of delegation of financial powers

The Department had revised the powers delegated to its officers in November 2002 and, since then, no revision had been made. Non-revision of the powers restricts the sanctioning and purchasing powers of the implementing officers, compelling them to seek sanction of higher authorities. This process consumes time and delays the scheme implementation.

4.1.6.11 Non-revision of Fisheries Manual

The Departmental Manual is essential for enumerating various activities of a department. It is intended to meet the requirement of departmental officers and to serve as a guide, regulate activities and define scope, functions, duties and responsibilities of the officers of a department. Further, it is to be revised periodically, incorporating the latest developments.

The Department first published its Departmental Manual (Fisheries Manual) during the year 1990-91. Though 21 years had elapsed, the manual had not been revised incorporating the latest instructions, circulars etc. The Director stated (July 2012) that the Department would take care of revising the manual in the near future.

4.1.7 Compliance issues

The mandated activities of an organisation are to be carried out according to laid down rules and regulations to give reasonable assurance regarding economy, efficiency and effectiveness. Adherence to codes and manuals minimises the risk of errors and irregularities and drives the organisation towards its objectives with optimum use of resources. Some of the areas where we observed non-compliance with the laid down rules and regulations are discussed in the succeeding paragraphs.

4.1.7.1 Budget and Financial Reporting

The Karnataka Budget Manual prescribes that the progress of expenditure month by month is to be watched by the Controlling Officer and all savings anticipated by the Heads of the Departments and Controlling Officers are to be reported by them to the Finance Department (FD) immediately after these are foreseen. However, on a review of the surrender statements submitted by the Director during 2007-12, we found that the Department had failed to adhere to these provisions and surrendered savings aggregating ₹ 131.25 crore under State Sector plan schemes on the last day of each financial year during 2007-12 as shown in **Table-4.4a and Table-4.4b**:

Table-4.4a: Details of surrenders under State Sector-Plan (Revenue)

(₹ in crore)

Year	Budget Provision	Funds released	Expenditure	Savings	Percentage of savings	Savings surrendered
2007-08	44.79	11.28	10.96	33.83	76	15.75
2008-09	54.33	32.88	31.88	22.45	41	5.54
2009-10	71.12	62.54	59.80	11.32	16	13.39
2010-11	77.09	46.00	43.10	33.99	44	9.24
2011-12	128.40	92.18	73.30	55.10	43	23.03
Total				**156.69**		**66.95**

(Source: Budget, Appropriation Accounts and surrender statements)

Table-4.4b: Details of surrenders under State Sector-Plan (Capital)

(₹ in crore)

Year	Budget Provision	Funds released	Expenditure	Savings	Percentage of savings	Savings surrendered
2007-08	17.31	14.81	10.06	7.25	42	Nil
2008-09	33.30	19.80	4.76	28.54	86	Nil
2009-10	25.82	23.82	6.52	19.30	75	19.29
2010-11	45.60	27.60	21.69	23.91	52	23.91
2011-12	55.00	52.00	31.90	23.10	42	21.10
Total				**102.10**		**64.30**

(Source: Budget, Appropriation Accounts and surrender statements)

There were huge persistent mismatches between budget provision, release of funds and expenditure under both Revenue and Capital section during 2007-12, indicating ineffective functioning of the budgetary and expenditure control mechanisms in the Department. The savings ranged from 16 to 86 *per cent* of the budget provision during 2007-12. The details of schemes where huge savings had occurred and the reasons thereof are given in **Appendix-4.2 and Appendix-4.3**. While the Department had not furnished reasons for savings under many schemes, the savings under most of the other schemes had occurred mainly due to non-release of funds by GOI and the State Government. Though savings of ₹ 258.79 crore had occurred under plan schemes during 2007-12, the Department had surrendered only 51 *per cent* of these. The savings surrendered under State Sector-Plan (Revenue) during 2009-10 was in excess of the savings available for surrender.

In respect of State Sector Non-plan, the position of excess/savings and surrenders during 2007-12 was as shown in **Table-4.5**:

Table-4.5: Position of excess/savings and surrenders under State Sector-Non-plan

(₹ in crore)

Year	Budget	Expenditure	Excess(+) Savings(-)	Percentage of savings/excess	Amount surrendered
2007-08	6.67	6.14	-0.53	8	0.13
2008-09	7.58	7.68	+0.10	1	1.66
2009-10	7.17	8.33	+1.16	16	0.49
2010-11	7.21	7.96	+0.75	10	0.83
2011-12	7.16	7.89	+0.73	10	0.36
Total amount surrendered					**3.47**

(Source: Budget, Appropriation Accounts and surrender statements)

During 2008-12, an amount of ₹ 3.34 crore has been surrendered though the Department had incurred an excess expenditure of ₹ 2.74 crore during this period.

Rule 239 of the Karnataka Budget Manual lays down that after the close of the month, each DDO should, after reconciliation with the treasury figures, forward to the Controlling Officer, statement of expenditure in respect of the previous month. These statements are to be despatched by the DDOs by 10th of the month following that to which the accounts relate. The Director was to consolidate the expenditure figures from all the Controlling Officers and reconcile the receipts and expenditure with the figures booked by the Accountant General. However, this procedure had not been followed as there was delay in submission of reconciled figures by the DDOs. As a result, the assessment of savings under Plan and Non-Plan and the surrender thereof to the Finance Department (FD) evidently suffered and, consequently, the Department did not either surrender the savings in full or surrendered funds far in excess of the savings. These lapses were indicative of the non-functioning of expenditure control in the Department. In the process, the Department deprived the FD of the opportunity of allotting the savings to other needy sectors.

The budget provision and expenditure in the District Sector during 2007-12 were as shown in **Table-4.6:**

Table-4.6: Budget provision and expenditure in the District sector

(₹ in crore)

Year	Plan		Non-plan	
	Provision	Expenditure	Provision	Expenditure
2007-08	6.00	6.63	6.79	8.89
2008-09	6.94	5.58	9.30	9.53
2009-10	7.65	7.06	8.98	10.30
2010-11	7.96	6.38	10.51	10.51
2011-12	8.65	5.29	11.18	12.60
Total	**37.20**	**30.94**	**46.76**	**51.83**

(Source: Budget and Appropriation Accounts)

The Department failed to ensure that ZPs sent monthly/annual statements of receipts and expenditure during 2007-12. The reasons for the excess/savings were, therefore, not verifiable.

4.1.7.2 Revenue receipts

The Department realised revenue through harbour activities, sale of fish seeds, lease and auctioning of water bodies, issue of licences etc. The details of revenue collected during 2007-12 were as shown in **Table-4.7:**

Table-4.7: Revenue collected during 2007-12

Year	Amount collected (₹ in crore)
2007-08	7.68
2008-09	6.13
2009-10	6.19
2010-11	6.88
2011-12	6.57

(Source: Finance Accounts)

In terms of provisions in the Karnataka Financial Code, each DDO responsible for collecting revenue on behalf of the Government should, as soon as possible after the end of the month, reconcile it with the treasury schedules. However, we found that the revenue realised had not been reconciled by the DDOs in the sampled offices.

4.1.7.3 Rush of expenditure under plan schemes during March

For the financial management to be efficient and effective, the flow of funds from the Government to the implementing agencies is to be regular and evenly spread over throughout the year consistent with the Action Plan for the year. The expenditure incurred on plan schemes (2405 and 4405) during 2007-12 and that incurred during March every year were as detailed in **Table-4.8**:

Table-4.8: Details of expenditure on plan schemes during March

(₹ in crore)

Year	2405-Plan Revenue expenditure including ZP schemes)			4405 - Plan Capital expenditure		
	Total Expenditure	Expenditure during March	Percentage of expenditure in March	Total Expenditure	Expenditure during March	Percentage of expenditure in March
2007-08	17.59	2.47	14	10.06	1.26	13
2008-09	37.46	16.03	43	4.76	2.09	44
2009-10	66.86	12.97	19	6.52	5.79	89
2010-11	49.58	19.98	40	21.69	20.36	94
2011-12	78.59	30.98	39	31.90	22.36	70

(Source: Monthly expenditure statements)

We found that 14 to 43 *per cent* of the expenditure under 2405-Plan and 13 to 94 *per cent* of the expenditure under 4405- Plan (Capital) had been incurred during the month of March during each year. Executive Engineer, Ports and Fisheries Division, Udupi (EE) stated (April 2012) that marine capital works were executed only after the monsoon season and bills for works were paid during February and March of every year, contributing to the rush of expenditure. The reply was, however, silent as to why bills for works executed after the close of the monsoon season in September were paid only in February and March of the financial year.

4.1.7.4 Drawal of funds in advance of requirement

As per the canons of financial propriety, no money should be drawn from the treasury unless the occasion demands it. Further, no money on any account is to be drawn in advance of requirement or transferred to deposit accounts as reserve in order to prevent it from lapsing so as to utilize the funds in the subsequent financial years. However, in the cases discussed below, these provisions had not been adhered to:

(a) During 2007-12, Government released ₹ 46 crore to KFDC and South Kanara and Udupi Federation for construction of 11800 houses under "Matsya Ashraya Scheme" and the centrally sponsored scheme of "Development of Model Fishermen Village Scheme". Of this, ₹ 26.50 crore (58 *per cent*) had been drawn during the months of February and March of each financial year and parked in current/fixed deposits. As of March 2012, the expenditure against the releases was only ₹ 38.72 crore, leaving an unspent balance of ₹ 7.28 crore. The unspent balance at the end of each year during 2007-12 was as shown in the **Table-4.9**:

Table-4.9: Unspent balances at the end of each year

Year	Unspent balance (₹ in crore)
2007-08	5.04
2008-09	2.63
2009-10	9.42
2010-11	7.40
2011-12	7.28

(Source: Information furnished by Director)

Thus, release of funds during the end of the financial year without any need analysis resulted in retention of huge balances with the implementing agencies, though the releases had been treated as final expenditure on the scheme. The Director stated (June 2012) that funds had been released to KDFC and the Federation to facilitate disbursement of subsidy to the fishermen. The reply should be viewed in the light of the fact that release of funds alone would not ensure timely payment to fishermen who were eligible to receive the subsidy in stages depending on the progress achieved in construction of houses. The releases should, therefore, have been made on the basis of the progress achieved.

(b) As per the guidelines issued (January 2009) by the FD for releasing funds to the Boards, Corporations etc, 25 *per cent* of the amount provided in the budget or 25 *per cent* of the estimated cost of the work proposed to be entrusted, whichever is less, should be released only after administrative and technical approval of the work. The balance amount was to be released only after these bodies had spent 75 *per cent* of the amount already released. However, in disregard of these guidelines, the Government released (March 2010 to September 2011) the full estimated cost of 31 works under the schemes of Construction of Aqua park, Maintenance of Fish Farms and Rashtriya Krishi Vikas Yojana aggregating ₹ 15.89 crore to the Karnataka Rural Infrastructure Development Limited (KRIDL) and Nirmithi Kendra. Of this, ₹ 2.50 crore had been released (February 2012) to Nirmithi Kendra even before administrative approval had been given by the Director. As of September 2012, administrative approval had been accorded for three works costing only ₹ 1.52 crore.

(c) During 2010-11, funds had been provided in the budget for construction of fish landing centres, jetties, fishing harbours etc. The EE was to execute these works and present the bills to the treasury for making payments to contractors. However, on the basis of directions from the Director, the EE drew (March 2011) the unspent budget provision of ₹ 27.66 crore under the capital head of account-"Development of Harbours, dredging, RIDF works" and the revenue head of account-"Development of link roads" on payees' receipts and remitted it to the head "Civil Deposits". The Treasury Officer had irregularly authorised the drawal of the unspent provision which should have been surrendered to the FD. We found that even as of March 2012, unspent balance of ₹ 11.52 crore had been held in Civil Deposits.

(d) The Government authorised (February & March 2012) drawal of ₹ 9.04 crore released under National Mission for Protein Supplements (NMPS) and parking of these funds in an SB Account operated by the Bangalore Rural District Office. The funds had been drawn during February and March 2012 even before the approval of the guidelines and modalities for operation of the scheme.

4.1.7.5 Non-recovery of statutory dues from the contractors

As per provisions of the Building and Other Construction Workers Welfare Cess Act, 1996, one percent labour cess is to be recovered from the contractors' bills and the amount so recovered is to be remitted to the Karnataka State Building and Other Construction Workers Board with effect from 1 November 2006. However, the Department had not complied with the provisions in the Act and labour cess of ₹ 1.05 lakh had not been recovered from the bills.

4.1.7.6 Execution of works under piecework system

During 2007-12, 228 works with an outlay of ₹ 719.64 lakh had been taken up for execution under piecework system by splitting up the works as shown in **Table-4.10:**

Table-4.10: Details of works taken up under piece work system

Name of the office	No. of works	No. of piece-works executed	Value of the work (₹ in lakh)
Port and Fisheries Division, Udupi	21	109	381.73
Deputy Director, Mangalore	-	60	184.07
Project Co-ordinator, Malpe	10	49	116.70
AD, Kumta	3	7	23.44
AD, Ankola	1	3	13.70
Total		**228**	**719.64**

(Source: Information collected from piece work agreements and bills)

Ports and Fisheries Division Udupi executed 55 out of 109 works costing ₹ 214.71 lakh under piecework system during 2009-12 well in advance of execution of piecework agreements with the contractors.

Execution of works under piecework system was in violation of the Karnataka Transparency in Public Procurement (KTPP) Act, 1999 and deprived the Government of competitive rates. EE of the Division stated (April 2012) that the provisions of the KTPP Act would not be applicable in these cases as the estimated cost of work did not exceed ₹ 5 lakh and the competent authority had approved the proposals to execute the work under piecework system to avoid lapse of grants and provide better facilities to fishermen. It was further stated that there was no additional financial burden as the rates as per tenders received for similar works were higher than the estimated cost by 11 *per cent*. The reply was not acceptable as the estimates had been split up to circumvent the provisions of the KTPP Act.

4.1.7.7 Diversion of funds

A provision of ₹ 1.50 crore had been made under Special Component Plan (SCP) and Tribal Sub Plan (TSP) during 2010-11 for the scheme of "subsidy on electricity consumed by ice plants and storage units". Even though there were no SC/ST beneficiaries to receive the subsidy, ₹ 149.23 lakh had been utilised for payment of subsidy to beneficiaries other than those belonging to SC/ST. The Department reported (November 2012) to Government that as no ice plant owner belonged to SC/ST, funds under SCP/TSP were utilised for payment of subsidy to non-SC/ST beneficiaries. This was contrary to Government instructions that any unspent amount under SCP and TSP was to be transferred to the pooled fund of the Social Welfare Department.

4.1.7.8 Non-redemption of share capital and non-recovery of loans

The Department provided share capital contribution to Fisheries Federations and KFDC subject to the following conditions:

- the amount was to be utilised for promoting fisheries development activities;
- the share capital should be redeemed within 10 years, commencing from the sixth year of sanction; and
- The dividend declared as Government shares should be credited to the Government account.

We found that the share capital so provided to Fisheries Federations from 1964-65 to 2006-07 had not been redeemed periodically and the outstandings as of 31 March 2012 were as shown in **Table-4.11:**

Table-4.11: Share capital not redeemed by the Federations

(₹ in lakh)

Federation/Society/KFDC	Share capital granted	Share capital redeemed	Balance to be redeemed for which due date of redemption had expired
Dakshina Kannada and Udupi District Cooperative Fish Marketing Federation Mangalore	145.25[6]	13.25	132.00
Dakshina Kannada and Udupi District Cooperative Fish Marketing Federation Mangalore	187.28[7]	58.98	112.48
KFDC, Mangalore	36.50	Nil	36.50
Uttara Kannada District Cooperative Fish Marketing Federation, Karwar	180.38	37.15	143.23
Karnataka State Co-operative Fisheries Federation, Mysore	70.73	Not available	Not available

(Source: Information furnished by the Director)

The redemption of the share capital by the Federations had not been monitored by the Department and the redemption of share capital was very low.

Though the Department sanctioned loan-cum-subsidy to the Federations under the National Cooperative Development Corporation (NCDC) Scheme, it did not monitor the repayment of loans. The Department did not maintain Demand-Collection-Balance (DCB) register to calculate from time to time the principal, interest/penal interest due from the Federations. As per the information furnished by the Federations, the principal and interest due as of March 2012 were shown in **Table-4.12.**

Table-4.12: Principal and interest due from Federations

(₹ in lakh)

Federation/KFDC	Nature of loan and period of sanction	Principal	Interest	Penal Interest	Total due
Karnataka State Cooperative Fisheries Federation, Mysore	NCDC Ist Phase (1990-92)	54.32	224.02	14.09	292.43
-do-	NCDC 2nd phase (2002-09)	41.41	51.30	3.18	95.89
-do-	District Sector (2002-09)	7.65	5.94	0.15	13.74
Uttara Kannada District Cooperative Fish Marketing Federation, Karwar	NCDC 1st phase (1997-03)	15.28	19.84	1.31	36.43
KFDC	State sector (1991-95)	75.00	168.75	31.43	275.18

(Source: Information furnished by Federation/KFDC)

6 Provided out of State funds

7 Provided by NCDC

Under the District Sector scheme also, loans and share capital had been sanctioned to various primary fisheries societies. The share capital and interest pending recovery in sampled district offices were as shown in **Table-4.13:**

Table-4.13: Share capital and interest due from fisheries societies

District	Period of sanction of share capital	Share capital outstanding (₹)	Period of sanction of loans	Principal loan (₹)	Interest (₹)
Uttara Kannada	1987-96	112000	1991-96	137750	Not calculated
Bangalore(U)	1993-06	315000	----	-----	----
Hassan	1984	10000	1970-90	6233	547337

(Source: Information furnished by the District Officers)

Though Dakshina Kannada and Udupi Fish Marketing Federation, Mangalore and Uttara Kannada Fish Marketing Federation, Karwar had been making profits over the years, these federations had not redeemed the share capital and had also not repaid the loans and interest thereon.

Very poor redemption of share capital and repayment of loans were indicative of poor enforcement of the conditions governing the grant of share capital and loans by the Department.

4.1.7.9 Non-realisation of dues

Two Fish Seed Farms at Bhadra Reservoir Project under the State Sector sold fish seeds to ADs in the district sector on credit basis during 1990-91 to 2011-12. Dues of ₹ 28.71 lakh in respect of 232 credit sales had been outstanding recovery, the earliest outstanding relating to December 1990. The ADs of the farms stated (August 2012) that action would be taken to recover the dues from the ZPs.

4.1.7.10 Non-recovery of rent

(a) KFDC, Mysore had been running a commercial establishment in the premises of a piece of land owned by the Department at Cubbon Park, Bangalore. The premise had been originally let out to Karnataka Inland Fisheries Development Corporation (KIDFC) which was amalgamated (1988) with KFDC, Mangalore. Rent was recoverable from KFDC at the rate of ₹ 348 per month from January 1970 to December 1997. With effect from January 1998, the Department had revised the rent to ₹ 51042 per month as per the fair rent fixed (June 1998) by the PWD. The rent recoverable from KFDC up to March 2012 was ₹ 88.45 lakh, against which ₹ 0.31 lakh only had been paid to the Department by the erstwhile KIDFC, leaving a balance of ₹ 88.14 lakh. The Department had not taken action to recover this amount or get the dues deducted from the grants released to KFDC by the Government.

(b) As per the PWD circular (July 2001), any Government servant residing in Government quarters is to pay as rent what he/she is drawing as house rent allowance (HRA). Two officials in the office of DD, Karwar to whom staff quarters had been allotted, paid rent at rates less than the HRA drawn during February 2010 to March 2012. The excess payment made worked out to ₹ 0.72 lakh.

4.1.7.11 Outstanding observations of previous years

As per the Hand Book of Instructions issued by the FD in 2001 for speedy settlement of audit observations, the Heads of the offices and the next higher authorities are required to comply with the observations contained in the Inspection Reports (IRs), rectify the defects and omissions promptly and report their compliance to the Accountant General who forwards a half yearly report of pending IRs to the Secretary of the Department to facilitate monitoring of the audit observations.

As of March 2012, 33 IRs containing 82 paragraphs relating to the State Sector and 59 IRs containing 125 paragraphs relating to the District Sector had been outstanding against the Department.

4.1.8 Service Delivery

The Fisheries Sector is broadly classified into marine fisheries and inland fisheries. The Department implements various schemes under the State and District Sectors besides centrally sponsored schemes to achieve sustainable fish production, strengthen the infrastructural facilities for fish landing and marketing and ensure socio-economic welfare of fishermen. During the period covered by audit, the Department implemented 12 centrally sponsored schemes, 19 State Sector schemes and 11 District Sector schemes. We reviewed the implementation of seven centrally sponsored schemes, 11 State Sector schemes and six District Sector schemes on the basis of risk assessment and significance. The expenditure on the sampled schemes during 2007-12 was as shown in **Table-4.14**:

Table-4.14: Expenditure on sampled schemes during 2007-12

(₹ in crore)

Centrally sponsored schemes				State Sector schemes				District Sector schemes			
Total Schemes	Expendi-ture	Sampled	Expendi-ture	Total Schemes	Expendi-ture	Sampled	Expendi-ture	Total Schemes	Expendi-ture	Sampled	Expendi-ture
12	128.48	7	111.49	19	154.89	11	119.39	11	15.48	6	11.66

(Source: Information furnished by the Department)

Our findings are discussed below:

4.1.8.1 Marine fish production

Government of India (GOI) had estimated the marine fisheries potential of the State at 4.25 lakh metric tonnes (MTs). The marine fish production of the State and the export of marine products from the State during 2007-12 were as shown in **Table-4.15**:

Table-4.15:Details of marine fish production and export of marine products

(Quantity in lakh MT)

Year	Marine fish production		Marine products exported		Percentage of State's contribution to country's fish production	Percentage of State's contribution to country's export of marine products
	Karnataka	India	Karnataka	India		
2007-08	1.76	29.20	0.26	5.41	6	5
2008-09	2.18	29.78	0.33	6.02	7	5
2009-10	2.49	31.03	0.57	6.78	8	8
2010-11	3.41	32.20	1.05	8.13	11	13
2011-12[8]	3.47	32.20	0.86	NA	11	NA

(Source: Annual reports of the Department and Department of Animal Husbandry, Dairying and Fisheries, GOI)

It is heartening to note that the marine fish production registered an impressive growth of 97 *per cent* compared to the level of 2007-08 and that the marine products exported also witnessed substantial growth except during 2011-12 when there was a marginal decline in export. However, there was still significant scope for increasing the marine fish production, which was well below the potential of 4.25 lakh MT.

4.1.8.2 Sea ranching programme

The Department launched the State funded sea ranching programme during 2003-04 under the State Sector to augment marine fish production. The programme envisaged collection of seeds of a variety of extensive species[9] and their release into the sea after rearing. However, only shrimp seeds had been procured from private hatcheries and released into the sea. Though all the three coastal districts had sufficient potential for implementing the programme, it was implemented on a very small scale only in Dakshina Kannada district where 13.71 lakh shrimp seeds had been stocked in the sea at a cost of ₹ 2.37 lakh. The Director stated (June 2012) that the scheme had not been implemented in other coastal districts as the concerned ZPs had not given approval for the programme. It was further stated that other estuarine species could not be covered under the programme due to non-availability of quality seeds within the State. The reply would only confirm that the Department did not implement the programme on a large scale to create any significant impact on marine fish production. The Department did not also examine the feasibility of bringing quality seeds from outside the State and implementing the scheme under the District Sector also.

4.1.8.3 Fishing harbours and fish landing centres

The optimum fleet size required for attaining the potential catch of 4.25 lakh MTs had been estimated at 3955 mechanised boats.

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[8] Provisional figures

[9] Tiger prawn and white prawns in sea and lady fish and mullets in estuaries

There were six major fishing harbours[10] in the State which had been established prior to 2007. The existing harbours had been designed for safe berthing of only 2165 mechanised fishing boats though the total number of mechanised boats actually operating from these harbours was 3234. Thus, infrastructure available for exploiting the potential catch of 4.25 lakh MTs was grossly insufficient. Two additional fishing harbours at Malpe and Mangalore and one Fish Landing Centre near Byndoor, taken up by the Department during 2011-12, were targeted for completion only by 2015. Evidently, the Department's efforts to utilise the marine fish resources optimally would not be fruitful till adequate infrastructure was ready.

We further found that out of the 14 Fish Landing Centres (FLCs), only five had been fully developed. However, the Department had not ensured hygiene in these five FLCs by allocating funds for cleaning, as was being done in the case of fishing harbours. Other FLCs did not have any land based facilities or structures to unload the catch. Thus, a majority of FLCs did not have adequate infrastructure facilities. The Director stated (April 2012) that the Department was making efforts to get the land available in these FLCs transferred in its favour for undertaking developmental works. The Director further agreed to improve the hygiene in FLCs.

4.1.8.4 Dredging taken up without addressing the problem of siltation

Mention was made in Paragraph 4.4.9 of the Report of the Comptroller and Auditor General of India (Civil) for the year ending March 2004 regarding the unproductive investment of ₹ 135.55 lakh made on construction of the FLC at Hejamadikodi in Udupi taluk. Though the project had been completed in December 2002, the facility had not been put to use due to siltation and formation of sand bund in front of the wharf and in the navigational channel. The Public Accounts Committee in their Sixth Report (XII Assembly) had recommended speedy completion of the work in consultation with Central Water and Power Research Station, Pune.

Ports & Fisheries Division, Udupi had invited (August 2007) limited tenders for dredging in front of the wharf and the navigation channel of the FLC at Hejmadikodi and received (November 2007) the lowest bid of ₹ 2.25 crore. The Government approved the lowest tender during February 2008. However, the work could not commence immediately as the Director decided (August 2008) to get the feasibility of the work examined by the Central Water and Power Research Station, Pune (CWPRS). The report was received from CWPRS in November 2008. The Government approved (February 2011) the proposal of the Department to cancel the approved tender and invite fresh tenders. After retendering (March 2011), the dredging work was entrusted (September 2011) to a company at a cost of ₹ 2.69 crore with stipulation for completion by January 2012. The cost of the work was revised to ₹ 3.40 crore due to additional items warranted during execution.

[10] Gangolli, Honnavar, Karwar, Malpe, Mangalore and Tadri

Our scrutiny of the work showed the following:

CWPRS had inspected the FLC on five earlier occasions between May 2005 and May 2007 and found that that the sand bar formed was highly unstable and its behaviour unpredictable. They suggested in their report of November 2008 that dredging the navigation channel in the existing condition without constructing guide bund/breakwater would work out to be uneconomical. They further advised that in the event of dredging being taken up for creation of the navigation channel, the cost-benefit of dredging including the recurring annual maintenance on dredging should be assessed before taking up the work.

However, the Department had not undertaken any cost-benefit analysis before fixing the agency for dredging. The same estimate prepared for inviting tenders in the first instance during August 2007 had been adopted for the tenders invited during March 2011. No guide bund/breakwater had been constructed and only the dredging for navigational channel had been done. Thus, the work taken up in the short term without any cost-benefit analysis was not capable of providing a long-term solution. In the process, the Department had not only spent ₹ 44 lakh extra on the work due to cancellation of the first tender but faced the risk of continued siltation of the navigational channel in the absence of guide bund/break water and the compelling need to undertake dredging every year at a huge cost.

4.1.8.5 Delay in renovation of a fishing harbour

For renovation of the Honnavar fishing harbour under the National Fisheries Development Board (NFDB) scheme, the Director had released (December 2009) grant of ₹ 348.79 lakh to the Deputy Director, Karwar. As per the NFDB instructions, the work was to be completed within 12 months from the date of release of grants. As of March 2012, a financial progress of only ₹ 132.95 lakh (38 *per cent* of the sanctioned amount) had been achieved and the work was in progress. Though the work was to be completed by the end of December 2010 as per the instructions of NFDB, the same was entrusted to a contractor only during October 2010 with stipulation for completion by July 2011. Delay in execution of work delayed the creation of the requisite infrastructure in the fishing harbour.

4.1.8.6 Absence of guide-lights

Guide-lights should be available in coastal areas for the safe return of fishermen who venture out to sea. However, out of the six fishing harbours, only one harbour at Tadri had been provided with guide-lights. Evidently, the absence of guide-lights have been affecting the safety of fishermen in the sea at night.

4.1.8.7 Absence of fairway buoys

For indicating the beginning or ending of a navigational channel, fairway buoys are essential. However, only two out of the six harbours (Honnavar and Mangalore) had been provided with buoys. Non-provision of buoys endanger the safety of the fishing boats.

4.1.8.8 Inland fish production

The annual estimated fish potential of the inland water resources in the State was 3.80 lakh MT. Against this, the actual fish production from inland fisheries during 2007-12 varied from 1.22 lakh MTs to 1.98 lakh MTs as shown in **Table-4.16**:

Table-4.16: Fish production from inland fisheries

(In lakh MT)

Year	Inland fish production		Percentage of State's production to country's production
	Karnataka	India	
2007-08	1.22	42.07	3
2008-09	1.44	46.39	3
2009-10	1.59	48.10	3
2010-11	1.86	50.70	4
2011-12[11]	1.98	52.00	4

(Source: Annual reports of the Department and the Department of Animal Husbandry, Dairying and Fisheries, GOI)

Though the inland fish production registered a growth of 62 *per cent* compared to 2007-08 level, there was still scope for upscaling the production to the estimated potential.

The deficiencies in the implementation of programmes to improve the inland fisheries are discussed below:

(a) Fish seed production

To produce more fish and conserve fish species, the Department undertook production of quality fish seed involving three main stages viz, (i) maintenance of brooders for breeding in ponds (ii) hatching of eggs and (iii) rearing of hatchlings to fry and fingerling stages. The fingerlings so reared were stocked in reservoirs and tanks for fish production ultimately.

Based on the inland water resources available in the State, the Department had assessed the yearly minimum requirement of fish fingerlings at 34 crore. As against this, the fingerling production in the State including private sector varied from only 11.44 crore to 25.06 crore during 2007-12 as shown in **Table-4.17**:

Table-4.17: Fingerling production in the State

Year	Fingerling production (in crore)	Shortfall (*per cent*)
2007-08	11.44	66
2008-09	10.34	70
2009-10	13.86	59
2010-11	19.99	41
2011-12	25.06	26

(Source: Information furnished by Director)

[11] Provisional figures

The shortfall in fingerling production was the highest at 70 *per cent* during 2008-09. Though the fingerling production showed a steady growth subsequently, there was still a shortfall of 26 *per cent* between requirement and supply as of March 2012.

(b) Fish seed farms

There were 55 fish seed farms in the State. Of these, 29 were fish seed production and rearing farms and 26 were only rearing farms. In addition, there were 77 taluk level nurseries in the State. The total water spread area of the above farms was 122.51 ha, of which only 82.79 ha had been used as of March 2012. The remaining of 39.72 ha of water spread area had not been put to use due to repairs, lack of water supply etc. The Department failed to address these issues timely and ensure optimal performance of the fish seed farms.

While the Director fixed targets for the farms in the State Sector, the concerned ZPs prescribed the targets for farms in the District Sector. The details of targets/ achievements of all the farms during 2007-12 were as shown in **Table-4.18:**

Table-4.18: Targets and achievements of fish seed production by farms

(In lakh fry)

Year	Fish production in farms	
	Target	Achievement
2007-08	3000	2287
2008-09	3100	2069
2009-10	3500	2965
2010-11	4000	3998
2011-12	5454	5013

(Source: Information furnished by the Department)

The Director did not furnish the reasons for shortfall in achievement. However, we found in sampled farms that shortage of staff and the following deficiencies were the reasons for sub-optimal performance of the fish farms, hampering production of fish seeds:

- seepage in fish ponds;
- non-availability of freshwater resulting in dependence on borewell water;
- shortage of quality seedlings;
- lack of periodical maintenance of fish ponds; and
- non-availability of assured power supply in rural areas.

The targets and achievements of the sampled farms and nurseries during 2007-12 were as shown in **Table-4.19**:

Table-4.19: Targets and achievements of sampled fish seed farms

Name of the farm/ nursery	Percentage of achievement against the targets				
	2007-08	2008-09	2009-10	2010-11	2011-12
Bund Breeding, BRP (Production)	78	58	86	81	95
NFSF, BRP (Production)	91	78	100	>100	>100
Bethmangala Farm (Production)	71	80	93	73	>100
TG Halli Farm (Production)	Production commenced only in 2009-10		39	90	>100
Kabini Fish Farm (Production)	71	>100	91	80	38
Harangi Farm, Harangi (Production)	100	0	0	78	95
VV Sagara Farm (Rearing)	51	38	44	75	50
Ramnathpura Farm (Rearing)	41	35	0	0	14
Malaprabha Farm(Rearing)	48	48	100	96	79
Hidkal Farm (Rearing)	31	42	70	45	---
Gorur Farm (Rearing)	49	49	24	37	29
Hassan Taluk Nursery	60	56	41	28	35
Hiriyur Taluk Nursery	88	33	50	>100	53
Hanagal Nursery	0	0	0	0	0
Bhadravathi Nursery	10	27	32	18	18
KR Nagara Taluk Nursery	9	15	45	89	38

(Source: Information furnished by sampled farms)

We found that fish ponds in six[12] farms had not been in good condition and did not retain water. The ADs of Bund Breeding at Bhadra Reservoir Project and Hassan Nursery attributed the shortfall to fixation of unrealistic targets by the Director/ZP. Shortage of staff also hampered the production of fish seeds and their rearing.

(c) Non-implementation of scheme

The State Government had established (since November 1973 onwards) 13 Fish Farmers Development Agencies (FFDAs) and two Brackish water Farmers' Development Agency (BFDAs) to implement two components (viz. Development of freshwater aquaculture and Development of brackish water aquaculture) of the centrally sponsored scheme of 'Development of inland fisheries and aquaculture'. The expenditure on these components was to be shared by GOI and the State in the ratio of 75:25.

Consequent upon transfer of water bodies with irrigable area up to 40 acres to the jurisdiction of the Grama Panchayats and removal of training component from the scope of the scheme, the Government decided (June 2011) that the main objective of providing training to farmers and leasing the small water bodies to them could not be achieved by FFDAs and BFDAs. The

[12] Ramanathpura, Gorur, Hanagal, Harangi, Malaprabha and VV Sagara

Government, therefore, ordered (June 2011) closure of FFDAs and BFDAs and relocation of staff to the newly formed districts subject to the condition that the development of freshwater and brackish water aquaculture should be carried out as before. We found that the Director had assured (February 2011) the Government that the redeployment of the staff would not affect the implementation of the scheme which would be done by the district and taluk level offices. However, after the staff in FFDAs and BFDAs had been redeployed as per the Government directives, the development of freshwater and brackish water aquaculture with central assistance had been discontinued by the Department from 2011-12. The Director had not sent any proposal to GOI for availing of the central assistance.

Thus, non-availment of the central assistance impeded the development of freshwater and brackish water aquaculture in the State.

4.1.8.9 Delay in implementation of scheme

Rashtriya Krishi Vikas Yojane (RKVY), a centrally assisted scheme, provides incentives to the States for development of agriculture and allied activities. Under the Fisheries Sector, the Department had received ₹ 56.95 crore during XI plan which was released to implementing agencies during 2008-12 for various components of the scheme. The status of work relating to these components were as shown in **Table-4.20**:

Table-4.20: Details of funds released to implementing agencies

Name of the component	Implemented by	Amount released (₹ in crore)	Expenditure as of August 2012 (₹ in crore)	Status of works	
				Targeted	Achievement
Upgradation of fish seed production farms	Department	15.65	11.64	28	22
Ongoing programmes for strengthening of market, renovation of nursery, training etc.	Department	4.65	1.53	Renovation-25 Kiosks -10 Training -1 centre Exposure - 1500 visits	9 - - 1320
Strengthening of fish marketing	Karnataka Fisheries Development Corporation	22.92	15.39	86	32
Establishment of soil & water testing and fish health diagnostic lab, information centre and technologies for enhancement of fish production	Karnataka Veterinary Animal and Fisheries Sciences University, Bidar	8.21	6.01	9	Nil
Technologies for enhancement of fish production	University of Agricultural Sciences, Bangalore	4.54	4.14	4	Nil
Conservation and breeding of endangered fish species endemic to western ghats	Pilikula Nisargadhama, Mangalore	0.98	0.10	1	Nil
Total		**56.95**	**38.81**		

(Source: Information furnished by the Director)

The delay in implementation of the various components of the scheme delayed the development of allied activities.

4.1.8.10 Non-attainment of objectives under Suvarna Bhoomi scheme

The Government introduced (March 2011) the State funded "Suvarna Bhoomi" scheme, under which small and marginal farmers were eligible for a subsidy of ₹ 10000 for shifting the crop pattern to high yielding/alternate crops. The benefit was extended to fishermen who either constructed new fish pond having an area of 100 square metres (sqm) or widened the existing fish pond to 150 sqm area. With a budget provision of ₹ 50 crore during 2011-12, 50,000 beneficiaries were proposed to be covered. As per the scheme guidelines, the ADs were to disburse the subsidy in two equal installments of ₹ 5000 each, the first installment on selection of the beneficiaries by a Committee headed by the DC on the basis of proof of ownership of marginal land small land[13] and the second, after the completion of construction of the pond on the basis of verification done by the ADs. The beneficiaries were to complete the work in the same financial year in which the first installment was paid.

Against the target of 50000 beneficiaries, 6934 beneficiaries had been paid first installment of subsidy aggregating ₹ 346.70 lakh. Of these beneficiaries, only 1888 availed of the second installment aggregating ₹ 94.40 lakh. The remaining 5046 beneficiaries who had received ₹ 252.30 lakh as the first installment had not responded thereafter and evidently misused the subsidy given. The district-wise details are given in **Appendix-4.4**. In five districts, none of the 990 beneficiaries who had received the first installment of ₹ 49.50 lakh came forward to avail of the second installment.

As per the guidelines, the beneficiaries who had misused the subsidy would not be eligible for any benefit under any scheme of the Department for a period of three years. Though the scheme's objective was laudable, the design of the scheme was flawed as it did not prescribe sufficient safeguards to ensure that the beneficiary commenced the intended work after receiving the first installment. The penal measure for misuse, embedded in the scheme guidelines, could, at best, deny further benefits to the beneficiary for a limited period. However, this was unlikely to deter a beneficiary from misusing the first installment. Inadequate safeguards in the design of the scheme would only encourage the beneficiaries to misuse the subsidy and defeat the very objective of the scheme.

4.1.8.11 Propagation of an endangered species

The fish seed rearing and production farm at Harangi had been established for rehabilitation and development of Mahaseer species in Western Ghat rivers of

[13] While land measuring upto two hectares is small, land measuring upto one hectare is marginal.

the State. However, the farm did not breed Mahaseer species during the last eight years, defeating the objective of establishment of the farm.

4.1.8.12 Survey of inland water bodies

As per the Fisheries Manual, the ADs in charge of the taluk is to conduct survey of water bodies, at least once in 5 years to assess the availability of water sources, species existing, potential for culture and to identify water bodies that have become unfit for culture. The survey details are to be recorded in the prescribed register. However, none of the sampled taluk level offices had conducted the survey.

4.1.8.13 Implementation of welfare schemes

Supporting the socio-economic development of fishermen is one of the primary responsibilities of the Department. Deficiencies noticed in the implementation of major welfare schemes are discussed in the succeeding paragraphs.

(a) Savings-cum-Relief scheme

Saving-cum-Relief is a component of the centrally sponsored "National scheme of welfare of fishermen" which aims at providing financial assistance to the marine fishermen. Relief is to be given to fishermen uniformly for three months during which ban on fishing operates. The fisherman's contribution will be ₹ 600, to be collected over the fishing season of nine months. Contribution of ₹ 1200 will be made by the GOI and the State on 50:50 basis. The total contribution of ₹ 1800 is to be distributed to the fisherman in 3 equal installments of ₹ 600 each during the ban period.

Under the scheme, the Department received the contribution from the marine fishermen through the registered cooperative societies. As per the scheme guidelines, the amount so collected along with the contribution of the GOI and the State was to be disbursed to the beneficiaries during the fishing ban period of June to August. While the contribution of ₹ 600 collected from the beneficiaries was disbursed to them as the first installment in the month of June, the second and third installments to be paid in July and August were disbursed after delays ranging from 2 to 20 months during 2007-12. Though necessary budget provision had been made towards State and Central share during this period, disbursements were delayed mainly due to belated release of funds by the State Government. Thus, the objective of providing relief to the fishermen during the period of ban on fishing activity had not been achieved.

(b) Subsidy on electricity consumed by ice plants and storage plants

In order to improve the condition of ice plants and cold storage units of Dakshina Kannada, Udupi and Uttara Kannada Districts, the Government introduced (March 2009) the scheme, under which a subsidy of Re.1.00 per unit of electricity consumed by the ice plant/cold storage units subject to a maximum of ₹ 1.50 lakh per annum (enhanced to ₹ 2 lakh per annum from 2010-11) was to be allowed. The ice plants and cold storage units receiving subsidy were to be used only for activities connected with fisheries. The Department was to compare the rates for ice charged by these units before and after the receipt of subsidy. The success of the scheme was to be measured by the reduction of rates charged by these units. Though subsidy of ₹ 7.39 crore had been disbursed as of March 2012, the Department failed to check the reduction in rates and monitor the purpose for which these units had been put to use. Deputy Directors, Mangalore and Karwar (March 2012 and July 2012) agreed to initiate action for proper monitoring of these units. Thus, subsidy of ₹ 7.39 crore had been disbursed without exercising the prescribed checks and balances.

(c) Housing for fishermen

The centrally sponsored scheme of 'Development of model fishermen's village' (expenditure shared by GOI and the State in the ratio of 50:50) and the State sponsored scheme of 'Matsyashraya' envisage disbursement of subsidy of ₹ 40000 to each of the selected fishermen to help them build their houses. The subsidy was to be disbursed to the beneficiaries in three stages- ₹ 10000 as advance before construction, ₹ 15000 on completion of foundation and ₹ 15000 on laying of roof. The jurisdictional AD was responsible for inspecting the houses at every stage and furnish a report together with photographs to the Directorate which, in turn, directed KFDC to issue cheques in favour of beneficiaries. The details of funds released and houses constructed under these schemes during 2007-12 were as shown in **Table-4.21**:

Table-4.21: Details of funds released and houses constructed under Housing scheme

Year	No. of houses sanctioned		Amount released (₹ in lakh)		Houses completed as of March 2012		Subsidy disbursed as of March 2012 (₹ in lakh)	
	State scheme	Central scheme	State scheme	Central scheme	State scheme	Central scheme	State scheme	Central scheme
2006-07	2660	---	1064.00	---	2587	---	1047.60	---
2007-08	2340	---	936.00	---	2112	---	881.55	---
2008-09	---	1000	200.00	200.00	---	776	----	338.90
2009-10	5000	----	2000.00	---	2811	---	1387.20	---
2010-11	800	---	200.00	---	431	---	217.00	---

(Source: Information furnished by the Director)

As of March 2012, against 11800 houses sanctioned during 2006-11, only 8717 houses (74 *per cent*) had been constructed, another 2155 were in progress while 928 selected beneficiaries had not come forward to avail of the first instalment and start construction.

The proposal made by the State Government for the years 2006-07 and 2007-08 for sanctioning of houses under the centrally sponsored scheme had been turned down by GOI on account of slow progress in implementation of the scheme sanctioned prior to 2006-07. The State Government had not submitted any proposal to GOI from 2009-10 as considerable progress had not been achieved in respect of the scheme sanctioned during 2008-09. The Director stated (June 2012) that delay in construction was due to the financial crunch faced by poor fishermen. The reply is to be viewed in the light of the fact that the scheme, though designed to support the socio-economic development of fishermen, had not fully delivered the results expected of it, indicating the need for revisiting the design of the scheme.

4.1.9 Conclusion

Large number of vacancies in technical posts handicapped the Department in effective implementation of the programmes and schemes taken up for augmenting fish production. The Department also suffered from several institutional weaknesses such as absence of a Fisheries Policy, non-revision of the Fisheries Manual, inadequate arrangements for monitoring of the implementation of schemes, and huge shortfall in internal audit.

The budgetary control mechanism in the Department was weak, as evidenced by non-preparation of realistic budget estimates, necessitating persistent huge savings year after year. The expenditure control was also weak, as amounts surrendered were either in excess of the savings or far below the savings. Though marine and inland fish production showed an impressive growth during 2007-12, there was shortfall in achieving the estimated potential growth. The inadequate capacity of the fishing harbours was a major constraint in optimum utilisation of the marine resources.

The inland fish production was sub-optimal as the fingerlings production in the State fell short of requirement. The departmental fish seed farms did not function effectively due to lack of maintenance of fish ponds. Funds provided for payment of subsidy to fishermen for construction of fish ponds had been misused. Implementation of schemes for the welfare of the fishermen was not effective as the relief to the fishermen during the period of ban on fishing had been delayed and construction of houses by fishermen lagged behind schedule despite disbursement of subsidy.

4.1.10 Recommendations

We recommend that

- The Department appropriately addresses the institutional weaknesses to create a robust institutional mechanism to facilitate achievements of its mandated objectives.

- The Department should strengthen the budgetary and expenditure control mechanism to ensure preparation of realistic budget estimates and adherence to laid down rules while spending the funds allotted for various purposes.
- The additional fishing harbours under construction should be completed early to provide adequate berthing facilities to the motorised fishing boats.
- The fish farms should be adequately equipped to ensure their optimal performance.

The matter was referred to Government in August 2012; reply had not been received (October 2012).

BANGALORE	**(D. J. BHADRA)**
THE	**Principal Accountant General**
	(General & Social Sector Audit)

COUNTERSIGNED

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

APPENDICES

Appendix 1.1

(Reference: Paragraph 1.7.1 Page 10)

Year-wise breakup of Outstanding Inspection Reports and Paragraphs (issued up to 31 December 2012)

Year	KUWS&DB		BMRDA		BDA		BWSSB		TOWN PLANNING		DMA		Urban Land Transport		TOTAL	
	Number of IRs	Number of paras	Number of IRs	Number of paras	Number of IRs	Number of paras	Number of IRs	Number of paras	Number of IRs	Number of paras	Number of IRs	Number of paras	Number of IRs	Number of paras	Number of IRs	Number of paras
Upto 2002-03	6	6	--	--	12	47	26	66	4	8	7	17	--	--	55	144
2003-04	4	9	--	--	1	16	2	2	--	--	--	--	--	--	7	27
2004-05	6	5	--	--	--	--	1	1	2	3	--	--	--	--	9	9
2005-06	7	19	--	--	1	8	4	8	--	--	--	--	--	--	12	35
2006-07	8	33	1	8	1	5	6	16	--	--	1	9	--	--	17	71
2007-08	5	21	--	--	1	6	6	20	1	3	1	3	1	5	15	58
2008-09	5	15	--	--	1	29	6	16	1	1	1	8	--	--	14	69
2009-10	20	143	--	--	1	16	4	15	1	2	1	4	1	4	28	184
2010-11	8	95	--	--	1	32	5	37	1	9	1	13	1	6	17	192
2011-12	6	128	--	--	--	--	--	--	--	--	--	--	--	--	6	128
Total	**75**	**474**	**1**	**8**	**19**	**159**	**60**	**181**	**10**	**26**	**12**	**54**	**3**	**15**	**180**	**917**

KUWS&DB: Karnataka Urban Water Supply and Drainage Board
BMRDA: Bangalore Metropolitan Region Development Authority
BDA: Bangalore Development Authority
BWSSB: Bangalore Water Supply and Sewerage Board
DMA: Department of Municipal Administration

Appendix-1.2
(Reference : Paragraph 1.7.3 Page 10)
Details of Departmental Notes pending as of 31 December 2012 (excluding General and Statistical Paragraphs)

Sl. No.	Department	95-96	96-97	97-98	98-99	1999-00	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	Total
1	Animal Husbandry & Veterinary Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
2	Commerce and Industries	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	1
3	Co-operation	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1
4	Ecology and Environment	-	-	-	-	-	-	1	-	-	-	-	-	-	1	-	-	2
5	Education	-	-	-	-	-	-	-	-	1	-	-	1	-	3	2	-	7
6	Finance	-	-	-	-	-	1	-	-	-	-	-	1	1	1	1	1	6
7	Food, Civil Supplies & Consumer Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
8	Health & Family Welfare	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	1
9	Home	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
10	Housing	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	2
11	Information, Tourism, Kannada & Culture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2
12	Labour	-	-	-	-	-	-	-	-	-	-	-	1	-	1	-	-	2
13	Planning	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	1
14	Public Works	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	1
15	Revenue	-	-	1	-	-	-	-	-	-	-	1	-	-	1	-	-	3
16	Social Welfare	-	-	1	1	-	1	-	-	-	-	-	1	-	-	-	-	4
17	Urban Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	4
18	Water Resources (Minor Irrigation)	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1
19	Women and Child Development	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	1
20	Youth Services and Sports	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	1
21	Forest & Transport	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Total		**1**	**1**	**3**	**1**	**3**	**2**	**1**	**2**	**1**	**-**	**2**	**4**	**1**	**8**	**4**	**11**	**45**

Appendix-1.3
(Reference: Paragraph 1.7.4, Page10)
Paragraphs (excluding General and Statistical) yet to be discussed by PAC as of 31 December 2012

Sl. No.	Department	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	Total
1.	Agriculture	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	1	-	-	-	03
2.	Animal Husbandry and Veterinary Services	-	-	-	-	-	3	1	1	2	-	-	-	1	-	-	-	-	1	-	09
3.	Commerce and Industries	-	-	-	-	-	3	2	1	-	-	-	-	-	-	1	-	1	-	1	09
4.	Co-operation	1	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	02
5.	Ecology and Environment	-	-	-	-	-	-	-	-	1	1	-	-	-	-	-	-	1	-	-	03
6.	Education	2	1	4	5	1	-	1	2	2	1	1	1	-	2	2	1	3	2	-	31
7.	Finance	-	-	-	-	-	-	-	-	1	-	-	-	-	1	1	1	1	1	1	07
8.	Food, Civil Supplies & Consumer Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		1	01
9.	Health and Family Welfare	3	-	1	4	4	1	2	2	1	-	-	-	-	-	-	-	1	-	-	19
10.	Home	-	2	2	-	2	-	-	2	-	2	-	-	-	-	-	-	-	-	2	12
11.	Horticulture	-	-	-	-	1	1	-	-	-	-	-	-	-	1	-	-	-	-	-	03
12.	Housing	-	-	-	2	-	-	-	-	-	-	-	-	1	1	1	-	-	-	1	06
13.	Information, Tourism, Kannada and Culture	-	-	-	-	-	-	3	1	-	-	-	-	1	-	-	-	-	-	2	07
14.	Information Technology and Bio-Technology	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-	-	02
15.	Labour	-	-	-	-	-	-	-	-	-	1	-	1	-	-	1	-	1	-	-	04
16.	Legislature Secretariat	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	01
17.	Planning	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	01

Sl. No.	Department	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	Total
18.	Revenue	-	-	-	1	1	1	-	1	-	-	-	-	1	1	-	-	1	-	-	07
19.	Rural Development & Panchayat Raj	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	01
20.	Social Welfare	-	-	-	2	-	3	3	1	1	-	-	1	-	-	2	-	-	-	-	13
21.	Transport	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01
22.	Urban Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	1	4	06
23.	Water Resources (Major & Medium Irrigation)	-	-	-	-	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	02
24.	Water Resources (Minor Irrigation)	-	1	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	02
25.	Women & Child Development	-	-	-	-	1	-	-	-	-	-	1	-	-	-	-	-	-	-	-	02
26.	Youth Services and Sports	-	-	-	-	-	2	-	2	-	-	-	-	-	-	-	-	-	-	-	04
27.	Agriculture, Forest, Home & Transport	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01
28.	H&FW, PWD, & RDPR	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	01
29.	Forest, Ecology &Environment, Urban Development and Health and Family Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	01
Total		**6**	**5**	**7**	**14**	**13**	**16**	**13**	**15**	**8**	**6**	**3**	**5**	**4**	**7**	**9**	**4**	**9**	**5**	**12**	**161**

Appendix-2.1
(Reference: Paragraph 2.1.10.2, Page 32)
Details of indiscriminate purchases

Department for which POs had been placed	PO's placed on	Metronidazole inj	Dextrose 5% with sodium chloride 0.9%	Ringers's lactate solution	Sodium chloride inj	Dextrose	Ciprofloxacin
Indented quantity		**1098574**	**959669**	**997617**	**587723**	**646205**	**602679**
Purchased quantity		**Parentral Drugs Ltd**				**Claris**	**DJ Lab**
Health	6/6/09	219339	221371	211847	122013	157230	53567
	9/6/09	219338	221371	211847	122012	157229	53566
	1/10/09	477455	340890	387027	250912	275467	407386
	17/11/09	23000	25000	25000	5500	25000	25000
	11/1/10	1800000	1400000	1550000	1400000	1050000	1100000
	10/2/10	800000	1250000	1500000	1200000	500000	500000
Medical	16/9/09	143333	141333	155000	72667	34667	51000
	24/2/10	425000	518400	489600	496000	452960	38900
ZP	23/9/09	81951	102355	108459	80994	93069	73644
	Total	**4189416**	**4220720**	**4638780**	**3750098**	**2749622**	**2303063**

(Source : Information furnished by the Society)

Appendix-2.2
(Reference: Paragraph 2.1.10.2, Page 32)
Details of modified orders

Name of the drug	**Dextrose 5% with sodium chloride 0.9% IV, Ringers Lactate IV, Sodium Chloride IV,**
Name of the Company	**Parentral Drugs Ltd**
Reference to PO	GMS/PUR(1)/MEDI/269/2010 Dt 24/02/2010
Name of the Warehouse on which originally order was placed	Name of the Institution to which the drugs were distributed as per modified order
District Ware House, Mangalore,	DDWH, Mangalore and District Surgeon, Meggan Hospital Shimoga
District Ware House, Davanagere	DDWH, Davanagere, Tumkur, Hassan
District Ware House, Belgaum	DDWH, Belgaum, DHO, Belgaum
District Ware House, Gulbarga	DDWH, Bangalore, District Surgeon, Chikkaballapur, Raichur and Bidar
Name of the Company	**Claris Life Sciences Limited**
Reference to PO	GMS/PUR(1)/MEDI/256/2010 DT24/02/2010
Name of the drug	**Dextrose 5% IV Fluid,**
District Warehouse, Mangalore	District Surgeon, Meggan Hospital Shimoga
District Warehouse, Davanagere	DDWH, Davanagere, Hassan, Tumkur & Bangalore
District Warehouse, Belgaum	DDWH, Belgaum, DHO, Belgaum, District Surgeon, Chikkaballapura
District Warehouse, Gulbarga	DDWH, Bangalore, Gulbarga, District Surgeon, Raichur and Bidar

(Source : Information furnished by the Society)

Appendix-2.3
(Reference: Paragraph 2.1.10.3, Page 34)
Statement showing the balance stock and transfer of psychiatric drugs

General Hospital, Humnabad, Bidar

Sl. No.	Name of the drug	Quantity received	Date of receipt	Date of expiry	Balance in stock
1	Tab. Enalpril Maleate 5 mg	20 units	30.3.2011	**30.11.2012**	20 units
2	Tab. Lithium Carbonate 300 mg	14 units 20 units	31.3.2011 23.11.2011	**30.11.2013** **31.01.2014**	34 units
3	Tab. Phenobarbitone 30 mg	20 units	31.1.2011	**30.10.2013**	14.5 units
4	Tab. Imipramine HCL 75 mg	3500 tabs	4.10.2010 31.1.2011	**31.07.2012** **30.11.2013**	3500 tabs
5	Tab. Phenobarbitone 60 mg	300 units	20.7.2010/ 17.8.2010	**28.2.2013**	235 units
		200 units	31.1.2011	**31.01.2013**	

CHC, MannaEkheli, Humnabad Taluk, Bidar

1	Tab. Trihexy Phenidyl HCL 2 mg	1000 tabs	31.1.2011	**30.11.2013**	1000 tabs
2	Tab. Imipramine HCL 75 mg	1000 tabs	31.1.2011	**30.11.2013**	600 tabs
3	Tab. Amitryptalin 25 mg	1000 tabs	31.1.2011/ 5.5.2012	**31.10.2013**	1000 tabs

PHC, Hudgi, Humnabad Taluk Bidar

1	Tab. Trihexy Phenidyl HCL 2 mg	500 tabs	23.3.2011	**31.12.2013**	500 tabs
2	Tab. Lithium Carbonate 300 mg	500 tabs	26.3.2011	**31.01.2014**	500 tabs
3	Tab Carbamazapine 20 mg	1500 tabs	5.12.2010/ 26.3.2011	**28.2.2013**	1500 tabs
4	Tab. Respirodone 60 mg	500 tabs	5.10.2010	**28.2.2013**	360 tabs

CHC, Nimbarga, Aland Taluk, Gulbarga

1	Tab. Lithium Carbonate 300 mg	15 units	30.12.2010	**30.11.2013**	15 units
2	Tab. Trihexy Phenidyl HCL 2 mg	40 units	30.12.2010	**30.11.2013**	40 units
3	Tab. Imipramine HCL 75 mg	20 units	30.12.2010	**30.11.2013**	20 units
4	Tab. Phenobarbitone 30 mg	40 units	30.12.2010	**30.10.2013**	40 units

General Hospital, Jayanagara, Bangalore

1	Inj. Phenobarbitone sodium (recd from DHO)	60 units	22.3.2012	**30.6.2012**	30 units
2	Inj. Phenytoin sodium(recd from DHO)	150 units	22.3.2012	**31.7.2012**	55 units
3	Tab Phenobarbitone 60 mg	10000 tabs	17.1.2012	**31.7.2012**	4000 tabs

Belgaum Institute of Medical Sciences, Belgaum

Sl. No.	Name of the drug	Qty received	Date of receipt/issue	Date of expiry	Balance in stock
1	Tab. Respiradone 20 mg	10,05,000 tabs	28.6.2010	**28.2.2013**	1,54,000 tabs
	Issues made to five Hospitals	5,96,000 tabs	11.8.2010 to 9.1.2012		
	Utilised by Belgaum Institute of Medical Sciences, Belgaum	2,55,000 tabs			
2	Tab Carbamazapine 200 mg	9,70,000 tabs	28.6.2010	**28.2.2013**	1,26,000 tabs
	Issues made to six Hospitals	7,45,500 tabs	20.7.2010 to 9.1.2012		
	Utilised by Belgaum Inst of Medical Sciences, Belgaum	98,500 tabs			
3	Tab. Phenobarbitone 60 mg	9,00,000 tabs	28.6.2010	**28.2.2013**	1,88,000 tabs
	Issues made to three Hospitals	5,40,000 tabs			
	Utilised by Belgaum Institute of Medical Sciences, Belgaum	1,72,000 tabs			

TRANSFER OF PSYCHIATRIC DRUGS

	From	To	Date	No. of drugs	Remarks
1	CHC, Devala Ganagapur	District Hospital Gulbarga	9.11.2011	6	
2	CHC, Devala Ganagapur	CHC, Station Ganigapur	8.4.2009	5	
3	CHC, Devala Ganagapur	PHC, Masbad	2009	5	
4	GH, Doddaballpur	Nimhans, Bangalore	12.6.2009	6	Initially the drugs were to be transferred to Victoria Hospital, Bangalore. As the stock of psychiatric drugs at Victoria was on the higher side, it was transferred to NIMHANS, Bangalore

(Source : Information collected from CHCs, PHCs & General Hospitals)

Appendix-2.4

(Ref: Paragraph-2.2.7.4, Page 61)

No. of cases where wrong percentage of cess has been adopted

Cess percentage	No. of cases after 1.4.2009
0	35
1-23	626
25-33	0
34	753
>34	39
Total	**1453**

(Source: BDA database)

Appendix-2.5
(Ref: Paragraph-2.2.7.4, Page 64)
No. of challans generated for the same purpose in the same year

	2009	2010	2011	2012
Bulk Print	90	241	17638	-
Khatha transfer	196	371	1016	206
New khatha	6	9	6	-
Change of nature of property	-	11	27	7
Revision of assessment	1	-	-	-

(Source: BDA database)

Appendix-2.6
(Reference: Paragraph 2.3.7.2, Page 79)
Details of leases granted by Government without inviting offers or conducting auctions

Sl. No.	Name of the	Name of the lessee	Area in sft	Period of grant	Approximate guidance value (₹ in lakh)
1	Sri Kadu Malleswara Temple, Malleswaram, Bangalore	Sri Gangamma Festival Organisers Association	7200.00	December 2004	1.44
2	Sri Mallikarjuna Swamy Temple, Bangalore	Sri Samputa Narasimhaswamy Sri Subramanya Matt, Basavanagudi, Bangalore	7916.00	November 2009	4.75
3	Sri Kadu Malleswara Temple, Malleswaram, Bangalore	Sai Mandali	5743.00	January 1986	0.77
4	Sri Ramanjaneya Swamy temple, K.R.Circle, Bangalore	Srinivasa Rao	2592.00	June 2010	2.36
5	Sri Doddabasavanna Temple, Bangalore	BMS Educational Trust	40371.52	October 1992	16.15
6	Sri Sampangi Ramaswamy Temple, Bangalore	G.D.Krishnamurthy	159.50	April 2008	0.12
7	Sri Kanteswara Temple, Nanjangudu Mysore	Sri Guru Prasad	1038.00	December 2007	Not available
8	Sri Kukke subramanya swamy temple, Kukke, Dakshina Kannada	34 lessees	19557.93	Not available	Not available
9	Sri Ghati Subramanya Devasthana, Doddaballapura, Bangalore Rural	10 lessees	1609.70	1990	Not available
10	Sri Doddabasavanna Temple, Bangalore	BMS Educational Trust	45000.00	August 1991	27.00
	Total		**131187.65**		**52.59**

(Source: Information collected from Executive Officers and Commissioner)

Appendix-2.7
(Reference: Paragraph 2.3.7.2, Page 80)
Non-refundable goodwill not recovered from the lessees

Sl.No	Name of the Notified Institution	No. of lessees	Value (in ₹)
1	Sri Ghati Subramanya Swamy Temple, Bangalore Rural.	10	14960
2	Sri Mathobhara Mangaladevi Temple, Mangalore	12	Area not available
3	Sri Anatapadmanabha Kudupu, Mangalore	14	23359
4	Sri Kateel Durga Parameshwari Devasthana, Kateel, Dakshina Kannada	40	88000
5	Sri Durga Parameshwari Devasthana, Boppanadu, Dakshina Kannada	12	11152
6	Sri Kukke Subramanya Swamy Temple, Kukke, Dakshina Kannada	34	181765
7	Sri Agamatraya Mahamandali, Bangalore	1	163104
8	Sri Banshankari Devasthana, Madhwa Hytech, Bangalore	1	372600
9	Sri Karanji Anjaneya Swamy Temple, Bangalore	2	1715128
10	Sri Hanumatha Devara Temple, Jalahalli, Bangalore	1	2212200
11	Sri Chamundeshwari Temple, Mysore	1	398681
	Total	**128**	**5180949**

(Source: Information collected from Executive Officers and Commissioner)

Appendix-2.8
(Reference: Paragraph 2.3.7.2, Page 80)
Lease agreements not entered

Sl.No.	Name of the notified institution	Number of leases
1.	Sri. Durga Parameshwari Kateel, Mangalore	40
2.	Mahatobhara Sri Mangaladevi Temple, Bolar, Mangalore	12
3.	Sri Mookambika Temple, Kollur	2
4.	Kukke Sri Subramanya Devasthana, Dakshina Kannada	39
5.	Sri Ghati Subramanya Devasthana, Doddaballapura	18
	Total	**111**

(Source: Information collected from Executive Officers and Commissioner)

Appendix-2.9
(Reference: Paragraph 2.3.7.4, Page 86)
Details of non-payment of lease rent

Sl. No.	Name of the notified institution	No. of lessees	Amount outstanding (₹ in lakh)	Since when outstanding
1	Sri. Raya Raya Kalyana Mantap	5	21.04	January 2004
2	Sri. Rameshwari Temple	2	12.16	March 2010
3	Sri. Choubina Subbarao Choultry	4	1.06	1995
4	Sri. Dharmarayaswamy Devsthana	3	1.10	NA
5	Sri. Lakshmi Narasimha Swamy Temple Balepet, Bangalore-	1	0.97	NA
6	Sri. Lakshmi Narasimha Swamy Temple Balepet, Bangalore	1	7.24	May 1997
7	Someshwara Swamy and Co Halasuru	6	6.19	NA
8	Sri. Chamundeshwar Temple, Mysore,	1	39.32	March 2006
9	Sri. Chamundeshwar Temple, Mysore, Shreekanta Girls High School	7	5.58	July 2009
10	Sri. Mookambica Temple, Kollur	1	45.39	July 2006
11	Sri. Mookambica Temple, Kollur	2	12.84	September 2006
12	Kukke Sri. Subramanya Devasthana	12	26.43	July 2009
13	Sri. Durga Parameshwari Kateel, Mangalore	32	3.10	NA
14	Mahatobhara Sri. Mangaladevi Temple, Bolar, Mangalore	12	3.33	NA
15	Sri. Ghati Subramanya Devasthana	8	30.19	February 2002
16	Sri. Siddalingeswara Swamy, Yediyur	14	10.97	NA
17	Sri. Subramanya Swamy, Halasuru, Bangalore	1	10.88	February 2007
18	Sri. Subramanya Swamy, Halasuru, Bangalore	3	2.02	April 2010
19	Sri. Gavi Gangadhareshwara Swamy, Gavipuram, Bangalore	1	10.18	NA
20	Sri. Sreekanteshwara Swamy, Nanjangudu, Mysore	1	1.15	May 2007
21	Sampangi Ramaswamy Temple, Bangalore	3	11.52	November 2006
	Total	**120**	**262.66**	

(Source: Information collected from Executive Officers and Commissioner)

Appendix 2.10
(Reference: Paragraph-2.4.4.3, Page 93)
Statement showing splitting up of purchases

Division	Indent No. and SDN	Material	Quantity indented	Proposals for procurement			
				Proposal No. and Date	Material	Quantity	Amount (₹)
	AEE-ELECTRICAL						
WEST	49/10-11/23-03-2010	50 mm Collar	800	161/15-4-2010	GMNRV	21	48466
		Union	300	162/15-4-2010	Handle Assembly	20	91245
		Gate Valve	300		Cylinder	20	
		Elbow	260		Head Assembly	20	
		Nipple	500	391/26-4-2010	Elbow	50	95787
		NRV	300		Nipple	50	
		Long Bend	200		Gate Valve	18	
		Tee	200		Union	50	
					Long Bend	50	
				468/26-05-2010	Gate Valve	18	49745
				1062/27-05-2010	NRV	21	48466
				1061/22-05-2010	Gate Valve	18	49745
				1018/25-05-2010	Gate Valve	18	49745
				1077/27-05-2010	Gate Valve	39	49745
				1082/27-05-2010	NRV	21	48466
				1084/27-05-2010	NRV	21	48466
				1083/27-05-2010	Gate Valve	18	49745
				10825/27-05-2010	Gate Valve	18	49745
				2821/14-04-2010	Elbow	50	95787
					Nipple	50	
					Gate Valve	18	
					Union	50	
					Long Bend	50	
				414/913-08-2010	Gate Valve	18	49745
WEST	46/10-11/24-2-2010	50MM GIPIPE	8000RMT	839/19-05-2010	50mm Gipipe	352 Rmt	98560
		32MM GI PIPE	600 RMT	886/22-05-2010	50mm Gipipe	352 Rmt	98560
		50MM COLLAR	500	885/22-05-2010	50mm Gipipe	352 Rmt	98560
		32MM COLLAR	900	884/22-05-2010	50mm Gipipe	352 Rmt	98560
				882/22-05-2010	50mm Gipipe	352 Rmt	98560
				881/22-05-2010	50mm Gipipe	352 Rmt	98560
				2823/14-07-2010	50mm Gipipe	352 Rmt	98560
				3328/24-07-2010	50mm Gipipe	352 Rmt	98560

Division	Indent No. and SDN	Material	Quantity indented	Proposals for procurement			
				Proposal No. and Date	Material	Quantity	Amount (₹)
	AEE W2						
WEST	86/10-11/17-06-2010	SMP 2HP/20STAGE	4	2728/29-07-2010	SMP 2HP 20 STAGE	4	93870
		SMP7.5HP/15 STAGE	1	2818/14-07-2010	SMP 7.5/20 STAGE	2	98700
		50MM GIPIPE	62 RMT	3012/19-07-2010	SMP 7.5/20 STAGE	2	99649
		32MM GI PIPE	248 RMT	3018/19-07-2010	SMP 2HP 20 STAGE	4	93870
		50MM COLLAR	10	3313/24-07-2010	SMP 2HP 20 STAGE	4	93870
		32MM GICOLLAR	40	3814/05-08/2010	SMP 7.5/20 STAGE	2	98700
				3820/05-08/2010	SMP 7.5/20 STAGE	2	98700
	AEE W5						
WEST	22/10-11/22-06-10	50MM GI PIPE	200RMT	2769/13-07-10	50MM NRV	21	48466
		50MM GI UNION	150	2770/13-07-10	50MM NIPPLE	65	76456
		50MM GI NIPPLE	150		50MM ELBOW	87	
		50MM GATEVALVE	150		50MM UNION	80	
		50MM COLLAR	200		50MM LONG BEND	80	
		50MM NRV	150		50MM TEE	50	
		50MM BEND	150	2824/14-07-10	50MM NRV	21	48466
		50MM ELBOW	150	2820/14-07-10	50MM NRV	21	48466
				3017/19-07-10	50MM NRV	21	48466
				3013/19-07-10	50MM NRV	21	48466
				3015/19-07-10	50MM NRV	21	48466
				3322/24-07-10	50MM NRV	21	48466
				3321/24-07-10	50MM GATEVALVE	18	49745
				3835/05-08-10	50MM NRV	21	48466
				4138/13-08-10	50MM NIPPLE	65	76456
					50MM ELBOW	87	
					50MM UNION	80	
					50MM LONG BEND	80	
					50MM TEE	50	
				4140/13-08-10	50MM NRV	21	48466
				4462/24-08-10	50MM NRV	21	48466
				4467/24-08-10	50MM NRV	21	48466
				4629/30-08-10	50MM NIPPLE	65	76456
WEST					50MM ELBOW	87	
					50MM UNION	80	
					50MM LONG BEND	80	
					50MM TEE	50	
				7825/03-01-10	50MM NRV	21	48466
				5137/14-09-10	50MM NRV	21	48466

Division	Indent No. and SDN	Material	Quantity indented	Proposals for procurement			
				Proposal No. and Date	Material	Quantity	Amount (₹)
	AEE W6						
WEST	**15/10-11/02-07-10**	50MM GI PIPE	500RMT	2767/13-07-10	50MM GATEVALVE	18	49745
		50MM COLLAR	100	2826/14-07-10	50MM GATEVALVE	18	49745
		50MM UNION	100	3006/19-07-10	50MM GATEVALVE	18	49745
		50MM ELBOW	100	3316/24-07-10	50MM GATEVALVE	18	49745
		50MM LONGBEND	150	5140/14-09-10	50MM GATEVALVE	18	49745
		50MM NIPPLE	100	5138/14-09-10	50MM GATEVALVE	18	49745
		50MM GATEVALVE	90	5133/14-09-10	50MM GATEVALVE	18	49745
		50MM NRV	50	7807/03-01-11	50MM ELBOW	50	95787
		32MM GI PIPE	200RMT		50MM NIPPLE	50	
		32MM COLLAR	100		50MM GATEVALVE	18	
		32MM UNION	150		50MM UNION	50	
		32MM NIPPLE	60		50MM LONG BEND	50	
		32MM GATEVALVE	50				
NORTH	AEE N3	2" GM Gate Valve	54				
	1/09-10/03-04-2009			BSWSSB/EEN/STR/108	50mm Gate Valve	18	
				139/15-04-2009	50mm Gate Valve	18	
				244/20-04-2009	50mm Gate Valve	18	**147813**
NORTH	AEEN(E)	2" GI Collar, Elbow, Tee,		514/09-10/02-05-2009			97136
	11/09-10/02-05-10	union,long bend, nipple		507/09-10-02-05-2009			95394
		50 mm GI Gate Valve	36	513/09-10/02-05-2009	Gate valve	18	49271
		2" G M NRV	84	677/09-10/12-05-2009	Gate valve	18	49271
				854/09-10/16-05-2009	GM NRV	21	48004
				679/09-10/12-05-2009	GM NRV	21	48004
				508/09-10/02-05-2009	GM NRV	21	48004
				601/09-10/06-05-2009	GM NRV	21	48004
NORTH	AEE N3	2" GI long bend		145/09-10/15-04-2009	GI Long Bend	210	49140
	2/09-10/03-04-2009	2" GI Elbows		144/09-10/15-04-2009	GI Elbow	250	49400
		2" Union		143/09-10/15-04-2009	GI Union	372	48360
		2" Nipple & Collar		141/09-10/15-04-2009	GI Collar & Nipple	125+250	48360
NORTH	AEE N3	50 MM NRV	63	2768/09-10/16-07-2009	50 mm GM NRV	21	48004
	15/09-10/13-07-2009	5HP 50 STAGE	4	2770/ -do-	5HP 50 State	2	91310
		50 mm Gate Valve	72	2962/09-10/24-07-2009	5HP 50 State	2	91310
				2965/09-10/24-07-2009	50 mm GM Gate Valve	18	49271
				2766/09-10/16-07-2009	50 mm GM Gate valve	18	49271
				3544/09-10/13-08-2009	50 mm GM Gate valve	18	49271
				3550/09-10-13-08-2009	50 mm GM NRV	21	48004
				3791/09-10/27-08-2009	50 mm GM NRV	21	48004
				3794/09-10/27-08-2009	50 mm GM Gate valve	18	49271

Division	Indent No. and SDN	Material	Quantity indented	Proposals for procurement			
				Proposal No. and Date	Material	Quantity	Amount (₹)
NORTH	AEE N(E)	32 mm GI Pipe	990 Rmt	2658/09-10-13-07-2009	32 mm GI Pipe	330 Rmt	97812
	42/09-10/13-07-2009	20 mm GI Pipe	375 Rmt	2063/09-10/20-07-2009	20 mm GI Pipe	375 Rmt	48750
				2659/09-10/13-07-2009	32 mm GI Pipe	330 Rmt	97812
				2660/09-10/13-07-2009	32 mm GI Pipe	330 Rmt	97812
NORTH	AEEN-2	2" Union Elbow, GM Gate valve		2792/10-11/17-07-2010	2" GI Spls, GM Gate Valve	153	49682
	06-10-11/12-07-2010			2793/10-11/17-07-2010	50 mm GI Gate Valve	18	49745
		50 mm GI Pipe	1400	2794//10-11/17-07-2010	50 mm GI Pipe	352 Rmt	98560
				2795/10-11/17-07-2010	50 mm GI Pipe	352 rmt	98560
				279710-11/17-07-2010	51 mm GI Pipe	352 rmt	98560
				2798/10-11/17-07-2010	2" GI Pipe & Spls	352 rmt	45465
				2799/10-11/17-07-2010	2"GM Gate Valve & Collars	149	46094
NORTH	AEEN(E)	50mm NRV	42	378/10-11/29-04-2010	50mm GM NRV	21	48466
	10/10-11/19-04-2010	50mm Gi spls		379/10-11/-do-	50mm GI Spls	260	48268
		50 mm Gate Valve	36	380/10-11/-do-	50mm GM Gate Valve	18	49745
				3806/10-11/21-05-2010	50mm GM Gate Valve	18	49745
				812/10-11/21-05-2010	50mm GM NRV	21	48466
NORTH	AEE N-4	50mm GI Pipe	704 Rmt	586/10-11/14-05-2010	50mm GI Pipe	352 rmt	98500
	21/10-11/28-04-2010			588/10-11/14-05-2010	50mm GI Pipe	352 rmt	98500
NORTH	AEE N-5	50mm GI Spls, Gate Valve		809/10-11/21-05-2010	50 mm GI Spls	500	98280
	11/10-11/24-04-2010	NRV etc.		815/10-11/22-05-2010	50 mm GI Spls	500	98280
				344/10-11/28-04-2010	65mm GM Gate Valve	12	49203
				410/10-11/03-05-2010	50mm GM NRV	21	48466
				414/10-11/03-05-2010	50mm GM Gate Valve	18	49745
				415/10-11/03-05-2010	50mm GM NRV	21	48466
NORTH	AEE N-1	20mm GI Pipe	560 Rmt	3581/10-11/13-08-2010	20mm GI pipe	280 rmt	49000
	13/10-11/03-06-2010			3588/10-11/13-08-2010	20mm GI pipe	280 rmt	49000
NORTH	AEE N(E)	50mm GI Pipe	1260 Rmt	2287/10-11/29-06-2010	50 mm GI Pipe RMT	352	98560
	8/10-11/19-04-2010			585/10-11/14-05-2010	50mm GI Pipe RMT	352	98560
				807/10-11/21-05-2010	50 mm GI Pipe RMT	352	98560
				764/10-11/21-05-2010	50 mm GI Pipe RMT	352	98560
				2289/10-11/29-06-2010	50 mm GI Pipe RMT	352	98560
NORTH	AEE N5	10HP 25 Stage SMP	1	3582/10-11/13-08-2010	10HP 25 Stage SMP	1	51800
	25/10-11/11-08-2010	7.5HP 15 Stage SMP	2	3583/10-11/13-08-2010	7.5HP 15 Stage SMP	2	99649
NORTH	AEE N4	10 HP 25 Stage smp	4	3584/10-11/13-08-2010	10 HP 25 stage smp	1	51800
	36/10-11/07-08-2010	7.5HP 15 Stage	2	3814/10-11/23-08-2010	10 HP 25 stage smp	1	51800
				3815/10-11/23-08-2010	10 HP 25 stage smp	1	51800
				3819/10-11/23-08-2010	7.5HP 15 Stage smp	2	99649
				3591/10-11/13-08-2010	10 HP 25 stage smp	1	51800

Division	Indent No. and SDN	Material	Quantity indented	Proposals for procurement			
				Proposal No. and Date	Material	Quantity	Amount (₹)
	AEE-ELECTRICAL						
		32mm collar	500		50mm GI elbow	50	9880
		50mm elbow	350		50mm GI nipple	50	5460
		50mm gatevalve	250		50mm GI union	50	19344
		50mm union	300	**5749/29.10.09**	50mm GI longbend	50	13104
		50mm NRV	300		TOTAL		47788
		50mm nipple	250				
		50mm bend	250				
	34/15.1.09				50mm GI elbow	150	29640
				5745/29.10.09	50mm GI nipple	150	16380
					TOTAL		46020
					50mm GI elbow	50	9880
					50mm GI nipple	50	5460
				6205/16.11.09	50mm GI union	50	19344
					50mm GI longbend	50	13104
					TOTAL		47788
				6000/09.11.09	50mm NRV	21	48004
		50mm collar	300		50mm longbend	100	21840
		50mm elbow	150		50mm elbow	125	24700
		50mm longbend	150	**1372/02.06.09**	TOTAL		46540
		50mm union	150				
SOUTH	**15/18.05.09**	50mm gatevalve	150				
		50mm NRV	150		50mm union	125	48360
		50mm nipple	150	**1370/02.06.09**			
		50mm Tee	150				
				1371/02.06.09	50mm collar	295	49702
		50mm collar	300		50mm NRV	21	48004
		50mm elbow	150	**1116/25.05.09**			
		50mm longbend	150				
		50mm union	150		50mm longbend	150	32760
SOUTH	**03/09.04.09**	50mm gatevalve	150		50mm union	25	9672
		50mm NRV	150	**945/18.05.09**	50mm Tee	100	6032
		50mm nipple	150		TOTAL		48464
		50mm Tee	150				
				1267/01.06.09	50mm GV	18	49271

(Source: Information furnished by BWSSB)

Appendix 2.11
(Reference: Paragraph-2.4.4.4, Page 94)
Details of extra expenditure incurred by the divisions

Year	Capacity of SMP purchased	Quantity	Rate at which pumpsets purchased (₹/pumpset)	Price payable as per rate contract of Central Stores (₹/pumpset)	Extra expenditure incurred (in ₹)
West Division					
2008-09	2 HP-20 Stage	9	20072	12247	70425
	3HP-30 Stage	7	21622	13787	54845
	5HP-15 Stage	10	37100	20227	168730
	5HP-20 Stage	4	37651	21337	65256
	7.5HP-20 Stage	10	49350	27222	221280
		40		**TOTAL (a)**	**580536**
2009-10	2 HP-20 Stage	47	23244	12247	516859
	3HP-30 Stage	35	26341	13787	439390
	5HP-15 Stage	46	37100	20227	776158
	5HP-50 Stage	9	45655	30528	136143
	7.5HP-20 Stage	15	49350	27222	331920
	7.5HP-25 Stage	12	49350	24947	292836
		164		**TOTAL(b)**	**2493306**
2010-11	2 HP-20 Stage	16	23244	12247	175952
	3HP-30 Stage	9	26341	13787	112986
	5HP-15 Stage	44	37100	20227	742412
	5HP-50 Stage	13	46094	30528	202358
	7.5HP-20 Stage	44	49825	27222	994532
	10 HP-20 Stage	24	48500	29682	451632
	10 HP-25 Stage	68	51800	37509	971788
	15HP-30Stage	11	62160	40061	243089
		229		**TOTAL (c)**	**3894749**
	GRAND TOTAL (a+b+c)				**6968591**
NORTH Division					
2008-09	2 HP-20 Stage	7	20072	12247	54775
	2 HP-25 Stage	3	24047	17955	18276
	3HP-8 Stage	1	21788	16432	5356
	3HP-30 Stage	11	26341	13787	138094
	3HP-35 Stage	4	24542	20356	16744
	5HP-12 Stage	6	22240	20227	12078
	5HP-15 Stage	8	37100	20227	134984
	5HP-25 Stage	2	30788	15305	30966
	5HP-35 Stage	3	33910	19197	44139
	7.5HP-6 Stage	3	40446	20138	60924
	7.5HP-20 Stage	30	49350	27222	663840
	12.5HP-30Stage	8	42599	37186	43304
TOTAL (a)					**1223480**
2009-10	2 HP-20 Stage	17	23244	12247	186949
	3HP-30 Stage	13	26341	13787	163202
	5HP-15 Stage	77	37100	20227	1299221
	5HP-50 Stage	8	45655	30528	121016
	7.5HP-6 Stage	14	40446	20138	284312
	7.5HP-20 Stage	8	49605	27222	179064
	7.5HP-25 Stage	49	49350	24947	1195747
TOTAL(b)					**3429511**

Year	Capacity of SMP purchased	Quantity	Rate at which pumpsets purchased (₹/pumpset)	Price payable as per rate contract of Central Stores (₹/pumpset)	Extra expenditure incurred (in ₹)
2010-11	2 HP-20 Stage	2	23244	12247	21994
	3HP-30 Stage	2	26341	13787	25108
	5HP-15 Stage	30	37100	20227	506190
	5HP-50 Stage	2	46094	30528	31132
	7.5HP-6 Stage	4	40446	20138	81232
	7.5HP-15 Stage	16	49825	28633	339072
	7.5HP-16 Stage	10	49825	25063	247620
	7.5HP-20 Stage	12	49825	27222	271236
	10 HP-20 Stage	52	48500	29682	978536
	10 HP-25 Stage	41	51800	37509	585931
	15HP-30Stage	17	62160	40061	375683
				TOTAL (c)	**3463734**
	GRAND TOTAL (a+b+c)				**8116725**
		SOUTH Division			
2008-09	3HP-30 Stage	7	21622	13787	54845
	5HP-50 Stage	26	37100	20227	438698
		33		**TOTAL (a)**	**493543**
2009-10	2 HP-20 Stage	14	23244	12247	153958
	3HP-30 Stage	24	26341	13787	301296
	5HP-15 Stage	26	37100	20227	438698
	5HP-50 Stage	46	45655	30528	695842
	7.5HP-20 Stage	2	49605	27222	44766
	7.5HP-25 Stage	10	49350	24947	244030
		122		**TOTAL(b)**	**1878590**
2010-11	5HP-50 Stage	8	46094	30528	124528
	7.5HP-25 Stage	6	49825	27222	135618
	10 HP-20 Stage	6	48500	29682	112908
	10 HP-25 Stage	12	51800	37509	171492
	12.5 HP-30 Stage	6	42600	37186	32484
	15HP-30Stage	3	62160	40061	66297
		41		**TOTAL (c)**	**643327**
	GRAND TOTAL (a+b+c)				**3015460**
	TOTAL (SOUTH, NORTH & WEST)				**18100776**

(Source: Information furnished by BWSSB)

Appendix 2.12
(Reference: Paragraph-2.4.4.5, Page 95)
Details of excess procurements

Indent no & Sub Division	Material indented	Quantity	Proposal of the Division	Material proposed for procurement	Quantity
WEST DIVISION					
86/10-11-W2	2HP/20 STAGE SMP	04	2728/29-07-2010	2HP20 STAGE SMP	04
			3018/19-07-2010	2 HP20 STAGE SMP	04
			3313/24-07-2010	2 HP20 STAGE SMP	04
		04		**TOTAL**	**12**
	7.5 HP/15 STAGE SMP	01	2818/14-07-2010	7.5 HP/20 STAGE SMP	02
			3814/05-08-2010	7.5 HP/20 STAGE SMP	02
			3820/05-08-2010	7.5 HP/20 STAGE SMP	02
		01		**TOTAL**	**06**
22/10-11/-W5	50 MM NRV	150	2769/13-07-2010	50 MM NRV	21
			2824/14-07-2010	50 MM NRV	21
			2820/14-07-2010	50 MM NRV	21
			3017/19-07-2010	50 MM NRV	21
			3013/19-07-2010	50 MM NRV	21
			3015/19-07-2010	50 MM NRV	21
			3322/24-07-2010	50 MM NRV	21
			3835/05-08-2010	50 MM NRV	21
			4140/13-08-2010	50 MM NRV	21
			4467/24-08-2010	50 MM NRV	21
			7825/3/1/2011	50 MM NRV	21
			5137/14-09-2010	50 MM NRV	21
		150		**TOTAL**	**252**
15/10-11/W6	50MM GATE VALVE	90	2767/13-07-2010	50MM GATE VALVE	18
			4462/24-08-2010	50 MM NRV	18
			2826/14-07-2010	50MM GATE VALVE	18
			3006/19-07-2010	50MM GATE VALVE	18
			3316/24-07-2010	50MM GATE VALVE	18
			5140/14-09-2010	50MM GATE VALVE	18
			5138/14-09-2010	50MM GATE VALVE	18
			5133/14-09-2010	50MM GATE VALVE	18
			7807/03-01-2011	50MM GATE VALVE	18
		90		**TOTAL**	**162**
SOUTH DIVISION					
30/09-10/Electrical	SMP 5Hp/15Stage	**03**	5667/26-10-2009	**SMP 5Hp/15Stage**	**02**
	SMP 7.5Hp/25 Stage	**03**	5608/24-10-2009	**SMP 7.5/25 Stage**	**02**
			5673/26-10-2009`	**SMP 5HP/15 Stage**	**02**
			5609/24-10-2009	**SMP 5Hp/50 Stage**	**02**
			5666/26-10-2009	**SMP 3Hp/30 Stage**	**03**
			5668/26-10-2009	**SMP 7.5Hp/25 Stage**	**02**
			5665/26-10-2009	**SMP 5/15 Stage**	**02**
	TOTAL	**06**			**15**

(Source: Information furnished by BWSSB)

Appendix 2.13
(Reference: Paragraph-2.4.5.4, Page 97)
Details regarding repetition of sanction order numbers in North and West Divisions

Sl. No	Sanction Order No	North Division Date	West Division Date
2010-11			
1	326	17.04.10	17.04.10
2	329	17.04.10	17.04.10
3	331	17.04.10	17.04.10
4	749	03.05.10	03.05.10
5	753	03.05.10	03.05.10
6	754	03.05.10	03.05.10
7	756	03.05.10	03.05.10
8	1910	28.05.10	28.05.10
9	1911	28.05.10	28.05.10
10	1912	28.05.10	28.05.10
11	1916	28.05.10	28.05.10
12	2593	07.06.10	07.06.10
13	2597	07.06.10	07.06.10
14	2600	07.06.10	07.06.10
15	4476	09.07.10	12.07.10
16	4482	09.07.10	12.07.10
17	4483	09.07.10	12.07.10
18	4484	09.07.10	12.07.10
19	4485	09.07.10	12.07.10
20	5363	30.07.10	30.07.10
21	5364	30.07.10	30.07.10
22	5365	30.07.10	30.07.10
23	5366	30.07.10	30.07.10
24	5367	30.07.10	30.07.10
25	5368	30.07.10	30.07.10
26	5369	30.07.10	30.07.10
27	5370	30.07.10	30.07.10
28	5371	30.07.10	30.07.10
29	5372	30.07.10	30.07.10
30	5373	30.07.10	30.07.10
31	5375	30.07.10	30.07.10
2009-10			
1	570	21.04.09	21.04.09
2	10823	02.12.09	02.12.09
3	10981	08.12.09	08.12.09
4	10978	04.12.09	04.12.09
5	11047	07.12.09	01.12.09
6	10740	01.12.09	01.12.09
Details regarding repetition of sanction orders within the division (West)			
Sanction order no	**Date**	**Supply Order No**	**Date**
759	09.05.2010	55	10.05.2010
759	03.05.2010	60	10.05.2010

(Source: Information furnished by BWSSB)

Appendix 2.14
(Reference: Paragraph-2.4.6.1, Page 98)
Recordings of materials issued as in Measurement Books

MB NO./Page No.	GI PIPES (RMT)		PUMPS
	50 MM	32 MM	HP/Stage/No
572/P-107	253.1 494.1	307.5 384.3	NIL
572/108	213.5	332.7	5 /15 /2 5 /12 /4 7.5/20/1
572/109	439.6	Nil	2/20/5 2/14/1 6/10/1 7.5/20/3 5/16/3 3/30/1
572/110	286.7	NIL	NIL
572/111	292.8	256.2	2/20/6 3/30/2 5/15/1
572/112	225.7	219.6	3/30/1 5/15/2
572/113	NIL	NIL	2/20/1 3/30/1 5/15/2 7.5/20/1
586/107	712.8	298.9	3/30/1
586/108	274.5	305	NIL
586/109	366	284.5	3/30/1 5/15/1
586/110	Nil;	Nil	3/30/1 5/15/1 2/20/1
586/111	213.5	305	NIL
586/112	250.1	384.3	2/20/2
586/113	256.2	311.1	2/20/3
602/108	352.6	120	NIL
602/109	NIL	NIL	2/20/7 3/30/6 5/15/2 5/50/1 7.5/12/3 6/10/2 10/12/1

MB NO./Page No.	GI PIPES		PUMPS
	50 MM	32 MM	HP/Stage/No
601/109 & 110	518.5	NIL	2/20/2 3/30/6 5/8/4 5/10/5 5/15/1 5/16/1 7.5/25/2 10/25/1
601/111	213.5	NIL	5/8/3 5/10/1 5/15/2
601/112	38.2	NIL	3/30/3 5/16/1
627/109	823.50	259	2/20/2 7.5/25/1 5/15/2
627/110	219.6	NIL	5/15/1 5/8/2 5/16/2
615/107	329.4	243	2/20/2 7.5/20/1
615/108	231.8	292.8	NIL
615/109	128.1	109.8	2/20/2
615/110	206	128.1	2/20/3 5/15/2 7.5/20/1
615/111	305	32.4	2/20/1 3/30/2 5/15/2
615/113	292.8	NIL	2/20/3 3/30/1 5/50/1 10/22/1 5/15/1
615/114	NIL	NIL	2/20/3 3/30/2 5/15/2 5/50/1

(Source: Information furnished by BWSSB)

Appendix-2.15
(Reference: Paragraph-2.4.6.3, Page 99)
Value of unaccounted submersible pumps & pipes

WEST DIVISION						
Sl. No	**Capacity of pump**	**No of pumps issued for borewell maintenance from MAS accounts**	**No of pump sets accounted for as per the revised estimates**	**No of pumps unaccounted for**	**Value of each pump set**	**Value of unaccounted pumpsets**
1	2 HP/14 STAGE	1	0	1	23244	23244
2	2 HP/20STAGE	55	0	55	23244	1278420
3	3 HP/30 STAGE	39	6	33	26341	869253
4	5 HP/08 STAGE	9	0	9	18547	166923
5	5 HP/10STAGE	25	9	16	18650	298400
6	5HP/12STAGE	13	11	2	37100	74200
7	5HP/15STAGE	57	14	43	24100	1036300
8	5HP/16STAGE	12	3	9	21019	189171
9	5HP/50STAGE	4	0	4	45655	182620
10	6HP/10STAGE	8	3	5	20710	103550
11	7.5HP/12STAGE	7	4	3	23800	71400
12	7.5HP/20STAGE	44	34	10	49825	498250
13	7.5HP/25STAGE	14	8	6	49350	296100
14	10HP/12STAGE	6	5	1	23813	23813
15	10HP/25STAGE	34	18	16	51800	828800
16	12.5HP/20STAGE	7	3	4	32073	128292
17	7.5HP/15STAGE	5	2	3	23690	71070
				TOTAL(WEST)		**6139806**

Sl.No	Dia	GI pipe issued for borewells maintenance from MAS Account (RMT)	Issue rate as per the revised estimate (₹)	Issued quantity as per revised estimate (RMT)	GI pipe accounted for as per revised estimate (RMT)	GI pipe un accounted for (RMT)	Value of un accounted GI pipe (taking least rate)
1	50mm	26332.3	243	7551.80	13914.56	12417.74	3017510.80
			420	6362.76			
2	32mm	5781	196	79.30	152.50	5628.50	1103186.00
			296	73.20			
						TOTAL(WEST)	**4120696.80**
				GRAND TOTAL(WEST)		**10260502.80**	

(Source: Information furnished by BWSSB)

Appendix-2.16
(Reference: Paragraph-2.4.6.3, Page 99)
Value of unaccounted submersible pumps & pipes

South Division						
Sl. No	**Capacity of pump**	**No of pumps issued for borewell maintenance from MAS accounts**	**No of pump sets accounted for as per the revised estimates**	**No of pumps unaccounted for**	**Value of each pump set**	**Value of unaccounted pumpsets**
1	3 HP/8 STAGE	5	0	5	17723	88615
2	2 HP/20STAGE	14	0	14	23244	325416
3	3 HP/30 STAGE	40	11	29	21620	626980
4	5 HP/08 STAGE	8	6	2	25192	50384
5	5 HP/10STAGE	3	0	3	18650	55950
7	5HP/15STAGE	17	1	16	37100	593600
8	5HP/16STAGE	9	3	6	37100	222600
9	5HP/30STAGE	5	0	5	20917	104585
10	5HP/40STAGE	6	0	6	21906	131436
11	5HP/50STAGE	72	58	14	45655	639170
12	6HP/15STAGE	1	0	1	26200	26200
13	6HP/16STAGE	11	5	6	26200	157200
14	6HP/20STAGE	5	0	5	25242	126210
15	6HP/65STAGE	5	0	5	26903	134515
16	6HP/10STAGE	5	0	5	20677	103385
17	7.5HP/15STAGE	3	0	3	26684	80052
18	7.5HP/25STAGE	11	0	11	49825	548075
19	10HP/10STAGE	17	10	7	31264	218848
20	10HP/16STAGE	24	18	6	25863	155178
21	10HP/24STAGE	11	8	3	37628	112884
22	10HP/25STAGE	5	0	5	51800	259000
23	12.5HP/16STAGE	48	28	20	37628	752560
24	12.5HP/30STAGE	14	9	5	42600	213000
25	15HP/20STAGE	10	0	10	33180	331800
26	15HP/24STAGE	14	5	9	36845	331605
				TOTAL(SOUTH)		**6389248**

Sl.No	Dia	GI pipe issued for borewells maintenance from MAS Account (RMT)	Issue rate as per the revised estimate (₹)	Issued quantity as per revised estimate (RMT)	GI pipe accounted for as per revised estimate (RMT)	GI pipe un accounted for (RMT)
1	50mm	32996	420	24498	8498	3569160
2	32mm	16740	270	4386	12354	3335580
				TOTAL(SOUTH)		**6904740**
				GRAND TOTAL(SOUTH)		**13293988**

(Source: Information furnished by BWSSB)

Appendix 2.17
(Reference: Paragraph-2.4.6.3, Page 99)
Value of unaccounted submersible pumps and pipes

North division						
Sl. No	**Capacity of pump**	**No of pumps issued for borewell maintenance from MAS accounts**	**No of pump sets accounted for as per the revised estimates**	**No of pumps unaccounted for**	**Value of each pump set**	**Value of unaccounted pumpsets**
1	2hp/20stage	23	0	23	23244	534612
2	2hp/25stage	4	0	4	23244	92976
3	3hp/8stage	27	3	24	26550	637200
4	3hp/30stage	31	4	27	26350	711450
5	3hp/35stage	4	0	4	26350	105400
6	5hp/8stage	1	0	1	25192	25192
7	5hp/10stage	6	5	1	18863	18863
8	5hp/12stage	16	4	12	25192	302304
9	5hp/15stage	61	35	26	37100	964600
10	5hp/16stage	17	3	14	26017	364238
11	5hp/20stage	10	0	10	39100	391000
12	5hp/25stage	6	2	4	39100	156400
13	5hp/50stage	2	0	2	45655	91310
14	6hp/10stage	12	4	8	19755	158040
15	6hp/14stage	1	0	1	26200	26200
16	7hp/6stage	4	0	4	40446	161784
17	7.5hp/6stage	10	6	4	40446	161784
18	7.5hp/12 stage	7	4	3	26744	80232
19	7.5hp/14stage	1	0	1	26684	26684
20	7.5hp15stage	28	20	8	23690	189520
21	10hp/10stage	4	2	2	31264	62528
22	12.5hp/20stage	29	23	6	32073	192438
23	12.5hp/30stage	31	25	6	35845	215070
24	15hp/20stage	10	9	1	35845	35845
	TOTAL	**361**	**165**	196		**5705670**

Sl.No	Dia	GI pipe issued for borewells maintenance from MAS Account (RMT)	Issue rate as per the revised estimate (₹)	Issued quantity as per revised estimate (RMT)	GI pipe accounted for as per revised estimate (RMT)	GI pipe un accounted for (RMT)
1	50mm	57293.68	420	30461	26832.68	11269726
2	32mm	11284.26	270	0	11284.26	3046750
	Total	**68577.94**		**30461**	**38116.94**	**14316476**
	Grand Total					**20022146**

(Source: Information furnished by BWSSB)

Appendix-3.1
(Reference: Paragraph 3.1.7, Page 111)
Excess amount paid towards price adjustment

Sl. No	RA Bill No.	Month	Bill Amount as per break up for the month (in ₹)	Pn[1] as calculated by Board using wrong indices	Pn as calculated by Audit using correct indices	Excess payment made (in ₹)
1	2	August 2010	8741242	1.099	1.019	699299
		September 2010	171728311	1.099	1.018	13909993
		October 2010	113077723	1.099	1.019	9046218
2	3	October 2010	135058401	1.099	1.019	10804672
		November 2010	77508818	1.099	1.019	6200705
3	4	October 2010	3342433	1.099	1.019	267395
		November 2010	8942970	1.099	1.019	715438
		December 2010	38209885	1.099	1.028	2712902
		June 2011	12331842	1.099	1.047	641256
4	5	October 2010	2190200	1.099	1.019	175216
		November 2010	4489806	1.099	1.019	359184
		December 2010	7051485	1.099	1.028	500655
		June 2011	42649656	1.099	1.047	2217782
		February 2011	37290325	1.099	1.049	1864516
5	6	March 2011	57451508	1.099	1.062	2125706
6	7	August 2011	65268474	1.099	1.069	1958054
7	8	April 2011	27764959	1.147	1.069	2165667
		May 2011	48917087	1.16	1.063	4744957
		June 2011	9832355	1.171	1.067	1022565
8	9	June 2011	17468658	1.171	1.067	1816740
		June 2011	28057028	1.171	1.073	2749589
		August 2011	13103319	1.188	1.076	1467572
TOTAL						**68166081**

[1] 'Pn' is the adjustment factor to be applied to the estimated value of the work carried out in month 'n'

Appendix-3.2
(Reference: Paragraph 3.3.1, Page 116)
Excess payment of family pension

SL No	District	Number of cases	Amount (in ₹)	Period
1	Bagalkot	12	147484	04/10 to 05/11
2	Bangalore (Rural)	8	143477	04/6 to 08/11
3	Belgaum	96	4162433	01/03 to 03/11
4	Bellary	24	1724970	09/07 to 12/11
5	Bidar	39	1139293	05/03 to 05/11
6	Bijapur	25	1448995	02/05 to 09/11
7	Chamarajanagar	16	239134	09/09 to 03/11
8	Chikkaballapura	9	140814	01/10 to 04/11
9	Chickmagalur	16	434537	02/07 to12/11
10	Chitradurga	27	631394	03/10 to 06/11
11	Dakshina Kannada	9	378428	04/06 to 09/11
12	Davangere	37	820754	04/10 to 05/11
13	Dharwad	6	272946	09/07 to 12/11
14	Gadag	19	2157581	03/06 to 05/11
15	Gulbarga	114	6114570	06/06 to 08/11
16	Hassan	39	967474	05/08 to 10/11
17	Haveri	28	1309393	04/08 to 05/11
18	Karwar	4	23699	08/10 to 03/11
19	Kolar	9	172951	12/08 to 03/11
20	Koppal	2	25993	07/10 to 07/11
21	Madikeri	32	2118742	12/07 to 12/11
22	Mandya	7	168011	03/10 to 04/11
23	Mysore	6	208144	12/08 to 07/11
24	Pension Payment Treasury, Bangalore	41	3095407	05/06 to 08/11
25	Raichur	10	663539	12/06 to 08/11
26	Ramnagara	13	208096	07/07 to 08/11
27	Shimoga	8	185142	05/10 to 03/11
28	Tumkur	45	3372011	04/05 to 10/11
29	Udupi	14	292657	11/10 to 09/11
30	Yadgir	28	1405986	03/03 to 07/11
31	Hubli	1	86285	11/08 to 01/12
	TOTAL	**744**	**34260340**	

Appendix-3.3
(Reference: Paragraph 3.3.1, Page 116)
Continued excess payment of family pension

(Amount in ₹)

SL No	District	Continued excess payment during 2010-11		Overall Excess Payment (including cases which appeared in earlier Audit Reports)		
		Number of cases	Amount	Amount	Total Amount	Period
1	Bangalore(Rural)	24	771260	228823	1000083	07/09 to 12/12
2	Bellary	10	526685	756305	1282990	01/09 to 12/11
3	Bijapur	10	1359068	-	1359068	04/06 to 09/11
4	Chamarajnagar	09	148287	226165	374452	01/03 to 03/11
5	Chikkaballapura	07	171073	112456	283529	05/09 to 04/11
6	Chikmagalur	01	45268	20988	66256	07/10 to 12/11
7	Chitradurga	17	537843	808297	1346140	06/09 to 06/11
8	Davangare	26	675923	486838	1162761	06/10 to 05/11
9	Gadag	2	148807	75993	224800	07/07 to 05/11
10	Gulbarga	15	797258	422986	1220244	06/09 to 07/11
11	Haveri	05	317119	154245	471364	02/06 to 05/11
12	Karwar	03	30701	23570	54271	01/11 to 10/11
13	Pension Payment Treasury	10	305800	378725	684525	01/06 to05/11
14	Raichur	11	221508	829407	1050915	05/04 to 03/11
15	Shimoga	05	270711	144036	414747	11/08 to 03/11
16	Tumkur	28	2675319	1541830	4217149	01/05 to10/10
17	Bidar	03	63953	29354	93307	01/09 to12/11
18	Mangalore	04	75501	42882	118383	01/10 to 10/11
19	Mysore	04	158395	111482	269877	06/09 to 07/11
20	Madikeri	09	230958	-	230958	01/10 to 12/11
21	Belgaum	20	1374527	735371	2109898	09/03 to 03/11
22	Kolar	04	-	273170	273170	04/08 to 03/11
23	Yadgir	01	64764		64764	01/08 to 07/11
	Total	**228**	**10970728**	**7402923**	**18373651**	

Appendix-4.1
(Reference: Paragraph 4.1.6.1, Page 126)
Statement showing the cadre-wise vacancy position in the Department of Fisheries as of March 2012

Name of the post	Sanctioned post	Working Strength	Vacancy
Director/ Joint Director/ Deputy Director	14	16*	-
Sr. Assistant Director of Fisheries	27	24	3
Assistant Director of Fisheries(Gr.I)	33	29	4
Assistant Director of Fisheries(Admn)	6	5	1
Assistant Registrar of Co-operative Societies	1	1	0
Assistant Executive Engineer	1	1	0
Assistant Engineer	2	1	1
Assistant Director of Fisheries (Gr.II)	187	129	58
Office Superintendent	22	21	1
First Division Assistant	109	63	46
Second Division Assistant	93	80	13
Stenographers	11	10	1
Sr. Typists/Typists	55	46	9
Sr. Drivers/Drivers	59	36	23
Sr. Fisheries Supervisor	35	30	5
Fisheries Supervisors	56	28	28
Fisheries Fieldmen	475	183	292
Others	215	160	55
Total	**1401**	**861**	**540**

(Source: Information furnished by the Director)

*Working strength includes two officers on deputation. These two posts have been ignored for the purpose of reckoning the working strength.

Appendix-4.2
(Reference: Paragraph 4.1.7.1, Page 131)
Statement showing scheme-wise savings under State Revenue Plan (2405)

Year	Name of the scheme	Amount of savings (₹ in crore)	Reasons for savings
2007-08	Supply of kerosene to conventional boats	18.00	Non-availment of benefits by fishermen
	Matsya Ashraya	10.00	Non-release of funds by Central Government
	Fishermen Welfare	3.21	Short release of funds by Gov. of India
2008-09	Remission of Central Excise Duty on HSD used by Mechanical Fish Craft	3.21	Non-release of funds by Government of India
	Rashtriya Krishi Vikas Yojane-Fisheries	19.83	Non-release of funds
2009-10	Remission of Central Excise Duty on HSD used by Mechanical Fish Craft	2.00	Non-release of funds by Government of India
	Fishermen Welfare	1.56	Non-release of funds
	Special Component Plan	2.00	Non-release of funds
	Rashtriya Krishi Vikas Yojane-Fisheries	7.71	Non-release of funds
2010-11	Remission of Central Excise Duty on HSD used by Mechanical Fish Craft	3.72	Non-availability of beneficiaries below the poverty line as per the scheme guidelines
	Matsya Ashraya	3.00	Short release of funds by the Central Government
	Rashtriya Krishi Vikas Yojane-Fisheries	23.83	Non-sanction of programmes
2011-12	Assistance for purchase of fish seeds	0.92	Shortage of beneficiaries
	Assistance for construction of fish ponds	1.38	Non-release of funds by the State Government
	Assistance for construction of fish market	1.37	Poor progress of implementation
	Maintenance of costal link roads	1.68	Non-finalisation of tenders
	New initiative for Fisheries development (Suvarna Bhoomi)	12.06	Shortage of beneficiaries
	Electricity used by ice-plants	1.93	Shortage of SC and ST beneficiaries

(Source: Appropriation Accounts)

Appendix-4.3
(Reference: Paragraph 4.1.7.1, Page 131)
Statement showing scheme-wise savings under State Capital Plan (4405)

Year	Name of the scheme	Amount of savings (₹ in crore)	Reasons for savings
2007-08	Investment in Public Sector Undertakings-KFDC	2.50	Non-release of funds by Government
	Construction of Fisheries Link Roads, Bridges and Jetties	4.54	Delay in tender process
2008-09	Construction of Fishing Harbours	10.49	Delay in finalisation of tender
	Construction of Jetties and Landing Centres	2.79	Delay in finalisation of tender
	Construction of Matsya Bhavana	4.50	Non-approval by Government
	Construction of Fisheries Link Roads, Bridges and Jetties	9.96	Slow progress of work
2009-10	Construction of Fishing Harbours	8.85	Slow progress of work
	Construction of Jetties and Landing Centres	1.34	Slow progress of work
	Construction of Matsya Bhavana	2.00	Non-approval by Government
	Construction of Fisheries Link Roads, Bridges and Jetties	6.70	Slow progress of work
2010-11	Construction of Fishing Harbours	11.93	Non-finalisation of tenders
	Construction of Jetties and Landing Centres	1.00	Non-receipt of sanction from the Central Government
	Renovation of Fishing harbours and landing centres	1.77	Non-taking up of desilting
	Construction of Matsya Bhavana	1.00	Non-receipt of concurrence from the Finance department
2011-12	Construction of Fishing Harbours	4.86	Slow progress of work
	Construction of Jetties and Landing Centres	1.00	Slow progress of work
	Renovation of fishing harbours and landing centres	3.24	Slow progress of work

(Source: Appropriation Accounts)

Appendix-4.4

(Reference: Paragraph 4.1.8.10, Page: 147)

Statement showing district-wise beneficiaries under Suvarnabhoomi scheme

District	Number of beneficiaries who availed 1st installment	No. of beneficiaries who availed 2nd installment	Percentage of beneficiaries who availed 2nd installment	Amount misused (₹ in lakh)
Belgaum	432	112	26	16.00
Bagalkote	6	6	100	0.00
Bijapura	83	69	83	0.70
Gadag	68	61	90	0.35
Dharwad	114	43	38	3.55
Haveri	31	22	71	0.45
Bellary	159	134	84	1.25
Gulbarga	79	Nil	0	3.95
Bidar	108	64	59	2.20
Raichur	109	Nil	0	5.45
Koppal	371	Nil	0	18.55
Yadgir	49	Nil	0	2.45
Chitradurga	563	17	3	27.30
Davangere	46	28	61	0.90
Shimoga	649	49	8	30.00
Chickmagalur	143	26	18	5.85
Tumkur	797	249	31	27.40
Kolar	180	6	3	8.70
Bangalore(U)	382	0	0	19.10
Bangalore(R)	62	6	10	2.80
Chikkaballapura	426	212	50	10.70
Ramnagara	124	91	73	1.65
Dakshin kannada	149	33	22	5.80
Udupi	136	21	15	5.75
Kodagu	131	113	86	0.90
Mysore	333	67	20	13.30
Mandya	349	119	34	11.50
Hassan	363	211	58	7.60
Chamrajnagar	428	96	22	16.60
Uttar Kannada	64	33	52	1.55
Total	**6934**	**1888**	**27**	**252.30**

(Source: Information furnished by the Director)