

**REPLIES TO INSPECTION REPORT ON THE ACCOUNTS OF THE SECRETARY, MALNAD AREA DEVELOPMENT BOARD, SHIMOGA. FOR THE PERIOD 2010-2016 UNDER SECTION 14(1) OF COMPTROLLER AND AUDITOR GENERAL`S (DPC) ACT-1971**

**Secretary:**

Smt.Smitha Bijjur, I.F.S.  
Sri G.A. Sudharshan,I.F.S.

From: 09.12.2009 to 30.06.2012  
From: 30.06.2012 to till date

**Inspecting Officer:**

Sri. D.A. Amaranarayana, Seinor Audit Officer.  
(From: 21.03.2016 to 02.04.2016 )

**Audit staff:**

Sri Shaik Ali Saheb, Supervisor  
(21.03.2016 to 02.04.2016.11 days)  
Sri,Shanthappa Belladevaru Senior Auditor.  
Date of Audit & Inspection:21.03.2016 to 02.04.2016.11 days)

<b>Sl. No.</b>	<b>SUBJECT IN BRIEF</b>	<b>REPLIES OF THE IMPLEMENTING Agencies &amp; Board</b>
	<p align="center"><b>PART-1</b></p> <p><b>a) Introductory</b></p> <p>The accounts of the Secretary, Malnad Area Development Board, Shimoga for the year 2010-11 to 2015-16 were last audited during 2009-10. Action taken on previous inspection report have been verified and the Paragraphs which could not be treated as settled are brought out in this part of the report.</p>	

**SECTION-A**

**I.**

**Construction of suspension of foot bridge across Ghataprabha river between Modaga and Maranahol.**

The Board informed the Nirmithi Kendra to submit the estimate for the construction of suspension of foot bridge across Ghataprabha river between Modaga and Maranahol for the reason that the Government has accorded approval of the action plan for special works to be undertaken (15.9.2011). The Nirmithi submitted the estimate of Rs63.50 lakh with technical sanction from CE,Dharwad for administrative approval (31.3.2012). and The Board accorded administrative approval (31.3.2012) and entrusted the work to Nirmithi Kendra. The work involves Civil work (Rs.17 lakh) and mechanical work (Rs.46.50 lakh) with 93 metres as length of bridge.

The Board has entered into agreement (31.3.2012) with the agency for Rs.63.50 lakh with the condition that As per Condition of agreement, The agency was to submit physical and financial progress to the Board before 10<sup>th</sup> of every month and the Board was to pay interest free mobilization advance of 80 percent of administratively approved amount.

The Board has released an amount of Rs.50 lakh on 31.3.2012 and an amount of Rs.13.50 lakh on 29.9.2012 totalling to Rs.63.50 lakh The agency. The agency in progress report (1.6.2013) informed that due to site problems, the Anker block work was stopped as the said area as the said area was under the jurisdiction of Kollapura Forest Division of Maharastra. Nirmithi Kendra informed the Board (3.8.2013) that during site inspection, there was no problem and during execution of work, the problem arose and by then 75 percent of civil works has been completed.

**Construction of suspension of foot bridge across Ghataprabha river between Modaga and Maranahol.**

The work had been entrusted to Nirmithi Kendra Karwar on 31.03.2012 During August 2013 the Nirmithi Kendra reported to the board that there is some problem in completing the balance of work due to problem on the area will come under Jurisdiction of Kollapur forest division of Maharashtra Government. Accordingly correspondence had been made with Maharashtra Government.

**The permission had been accorded by the controller & chairman, District level Committee (FRA), Kollapur vide letter dtd:10.06.2016 and Deputy conservator of Forest Kollapur Division vide letter dated Notary letter dtd: 12.09.2016 and letter no 43/12.09.2016 of sarpanch Gramapanchayath, Kamewadi. After obtaining permission from FRA and DCF Kollapur Division regarding land problem, the work has been completed on 20.07.2017**

The related documents (Work completion report, Third party Inspection report, Utilisation certificate,Third stage photos)are hereby enclosed. The work is completed on 31.03.2012 people are utilizing hanging bridge Hence the Audit para may please be dropped.

II	<p><b>Non-payment of interest amount of Rs 140 lakh by KMF to the Board</b></p> <p>The Board shall every year prepare an annual plan for the developments of Malnad Area and forward it to the State Government for approval. The Board shall have power to supervise and review the progress of expenditure incurred under the plan and performance of various departments, in Malnad Area with reference to the plan.</p> <p>Department of animal husbandry of GOK accorded approval to the Karnataka Milk Federation (KMF) to obtain Rs.100 lakh from the Board for the purpose of establishment of cattle feed mixing unit in Hassan (28.7.1995). The Board submitted the annual action plan for the year 1995-96. Planning department of GOK, accorded approval for the action plan and directed TheBoard provide a loan amount of Rs.30 lakh to KMF based on above GO.</p> <p>Accordingly, the Board release Rs.30 lakh to KMF vide cheque No.F.866182 date:30.01.1996. Further, Planning Department of GOK directed in GO dated 27.3.1997 to the Board to release the balance amount of Rs.70 lakh as loan for the establishment of unit towards purchase of machinery and equipments. The Board Released Rs.70 lakh to KMF vide Cheque.No. 533672 dated:29.3.1997. However, the terms and condition had not been prescribed.</p>	<p><b>Non-payment of interest amount of Rs 140 lakh by KMF to the Board.</b></p> <p>The board releases Rs.100 lakhs as loan for the purpose of establishment of cattle feed mixing unit in KMF Hassan. as per order PD 582 PMM95 dtd: 27.09.95 and PD 341:PST dtd 27.03.97 Rs.100 lakhs has been received back from the managing director milk federation KMF board Bangalore through the cheque no 465448 dtd: 02.12.13 and the same had been credited to board A/C no 54045607580 vide receipt no 239 dtd:26.12.2013.</p> <p>The board addressed letter dated 12.11.2014 to KMF for payment of intrest amount of Rs.140 lakh Letters have been written to M.D KMF Bangalore for repayment of loan in different dates(07.12.2017, 11.07.2017, 07.11.2017, 05.12.2016, 19.10.2016 ) planning minister Government of Karnataka has also written letter to MD KMF Bangalore for repayment of Intrest .</p> <p>Updated information will be reported to audit, in due course, correspondence between KMF Hassan.</p>
----	--	--

Planning Department of GOK directed the Board to submit the condition to KMF to receive back the loan amount (8.9.1997) and accordingly, the Board prescribed the condition and submitted to Government (16.10.1997). the main conditions are as under:

- 1) The principle amount in 60 equal installments of Rs.1,66,667/-per month commencing from 1.10.1997.
- 2) Interest at 8.75% to be levied on Rs.100 lakh and to be obtained in 24 equal instalments after repayment of principle..
- 3) If there is delay in payments, 4 percent compound interest should be charged. Thus the repayment was due from 1.10.1997.

In the Board meeting held on 04.04.1998, it was decided to obtain the loan amount at the interest rate prescribed by the Government,

However, after prolonged correspondence, KMF returned the loan amount of Rs.100 lakh to the Board on 10.12.2013 vide cheque dated:02.12.2013. The Board calculated the interest amount accumulated as under

<b>Relating to amount of Rs.30 lakh</b>	<b>Amount</b>
interest amount at 8.75% from 1.2.1996 to 30.11.2013 for 202 months	Rs.44.188 lakh
Relating to Rs70 lakh	
Interest amount at 8.75 % from 1.4.1997 to 30.11.2013 for 188 months	Rs.95.958 lakh
total interest for Rs100 lakh	Rs.140.146 lakh

The Board communicated the position to the KMF in 12.11.2014 but the KMF had not paid the outstanding interest amount of Rs.140.146 lakh. KMF took nearly 16 years to repay the principle amount. The Board had not entered into loan agreement with the KMF and providing loan amount was not prescribed functions of the Board.

Action may be taken to recover accrued interest of Rs.140 lakh plus 4 percent compound interest for delay in repayment which the Board had failed to compute.

### **III Short recovery of Royalty.**

According to Rule3(2) of Karnataka minerals concession rule 1969, royalty should be recovered in every case if the material mentioned in the schedule appended to Government order forming part of each contract agreement in respect of work done by the contractor and recoveries should be made and credited to Government H/A.

Government of Karnataka revised the rate of royalty of mines and minerals with effect from 1.3.2014. The Board entrusted many works to Karnataka Rural Infrastructure Development Ltd (KRIDL). In the bills submitted by KRIDL for payment, It was certified that the KRIDL is not paying the royalty charges in the bill for the reason that the materials has been purchased in the open market and utilised for the work. However, whether the materials purchased has suffered royalty charges or not are not forthcoming and the agency has not furnished the details for the same.

In the absence of supporting documents, the materials used for the work attracts royalty charges as per scheduled rates and test check of vouchers revealed that an amount of Rs.1.78 lakh are due to be deducted from the bill as detailed in the Annexure.

The Board, in replay as agreed to bring the position to the notice of KRIDL.

### **Short recovery of Royalty.**

The matter is under correspondence, The position will be brought to the notice KRIDL Belagavi & Chikkamagalur vide this office letter dated 29.08.2016 , 04.12.2017, 02.01.2018 & 06.08.2018

In the board meeting held with the Implementing officers on 24.08.2016 & 26.09.2017 the concerned officers KRIDL have been instructed to treat the matter on top priority and furnish the recovery details, updated information will be reported to audit, in due course.

**IV****SECTION-B****Non-recovery of balance funds of Rs. 22.933 lakh from implementing agencies.**

MADB executed works viz. construction of roads, buildings, community halls, Anganvadi centres etc., through implementing agencies of 13 districts coming under jurisdiction of the board.

The Board released fund to implementing units like PRE,PWD,MI, Forest etc for implementation of work and on scrutiny of the records pertaining to works executed; it was observed that Rs.22.933 lakhs remaining unspent for more than one year after the execution of works entrusted to agencies and was to be recovered from the concerned as detailed below.

<b>Sl. No</b>	<b>Name of the division</b>	<b>Amount outstanding in Lakh</b>
1	E.E/PRE/Division/Chikkodi.	0.300
2	E.E/PRE/Division/Chamarajanagar	0.538
3	E.E/P.W.D/Chamarajanagar.	0.080
4	Director,skdrp,Chikmagalur	6.400
5	E.E/PRE/Division/Chikkamaga	0.360
6	E.E/Minor Irrigation/Hassan.	0.050
7	E.E/PRE/Division/Haveri.	0.170
8	E.E/PRE/Division/K.R.Nagar.	0.015
9	Assistant Conservator of Forest, Shimoga.	0.010
10	Managing Director, MPM, Bhadravati	15.000
11	District Watershed Development Officer/smg	0.010
		<b>22.933</b>

**Non-recovery of balance funds of Rs. 22.933 lakh from implementing agencies.**

The Implementing officers have been addressed to clear the outstanding balance either by adjustment or to return the same to the board vide this office letter dated 29.08.2016, 29.01.2018 & 26.07.2018

In the board meeting held with the Implementing officers on 24.08.2016 & 26.09.2017, the concerned Executive Engineers have been instructed to treat the matter on top priority and furnish the recovery details, updated information will be reported to audit, in due course.

The implementing units had not returned the unspent balances to the Board. Board replied that the balances held are old balances and that the matter is under correspondence with the implementing units. Early action may be taken to recover the unutilised amount.

**V**

**Construction of Kuvempu Bhavan at Arakalagudu**

The work of construction of Kuvempu Bhavan at Arakalagud proposed by constituency MLA Under general action plan was entrusted to Karnataka Rural Infrastructure Development Ltd (KRIDL) with the condition that the agency should complete the work with 12 months excluding rainy season. The agency shall submit physical and financial progress to the Board before 10th of every month and the Board was to pay interest free mobilization advance of 80 percent of administratively approved amount (19.12.2013) with an estimate cost of Rs.24 lakh.

In general report appended to the estimate, it was mentioned that the work was inspected and that partial work has been done by the Zilla panchayath and for the remaining work, the estimate for the sanctioned amount had been prepared based on the schedule of rates of 2013-14 PWD, Hassan Circle.

The Board accorded administrative approval for the work (12.11.2014) at Rs.24 lakh. Further the Board accorded administrative approval of Rs.19 lakh for the additional works (19.11.2014) with the condition that the agency should complete the work within 31.12.2015. delay in completion of work was to attracts penalty not exceeding 25 percent of total amount. The Board released an amount of Rs.34.40 lakh on 19.2.2015

**Construction of Kuvempu Bhavan at Arakalagudu**

The work is nearing completion and the observation pointed out will be considered while settling the final claims of the agency .

A letter has been addressed to submit the compliance early vide this office letter dated 29.08.2016 & 16.12.2016 15.03.2017 31.05.2017 ,08.01.2018 The action taken will be reported to audit in due course.



It was observed that the agency has not completed the work. The overall position of balance work not tackled by the ZP has not been obtained with reason thereof in order to compute the balance work. The work was split up into two works and KRIDL submitted the estimate for sanction. KRIDL has not submitted the bill with physical and financial progress. Board replied that the work is under progress and nearing completion.

However, delay in completion resulted in non-achievement of intended objectives.

**VI Construction of C-group quarters for employs of MADB**

The Board sought permission for construction of staff quarters (27.12.2013) to Government and in turn Government directed the Board to include the cost of construction in the action plan of the Board for the year 2014-15 (21.3.2014). The Board has requested the Karnataka Rural Infrastructure Development Limited (KRIDL) to submit line estimate and based on the estimate, the Board accorded administrative approval (7.7.2014) for Rs.36 lakh. The Board entered into agreement with the agency on 7.7.2014 with the condition that the agency should complete the work with 12 months excluding rainy season. The agency was to submit physical and financial progress to the Board before 10<sup>th</sup> of every month and the Board shall pay interest free mobilisation advance of 80 percent of administratively approved amount.

**Construction of C-group quarters for employs of MADB**

The work had been entrusted to KRIDL shimoga During september 2014 with the condition that the agency should complete the work with 12 months excluding rainy season. The board has released an amount of Rs.10.00 lakhs on 09.07.2014 and Rs. 18.8 lakhs on 05.02.2015 to the KRIDL as an advance amount. The area selected was park area as it affects the trees, The board directed KRIDL to construct in other area within the area coming under the jurisdiction of the board and accordingly the agency revised the estimate to Rs. 39.30lakhs on the date 13.02.2015 for which board accorded administrative approval.

The work has been completed in the month of December 2016 C-group quarters have been handed to Board by KRIDL.MADB staff are staying in that newly constructed quarters.

The related documents (Work completion report, Third party Inspection report, Utilisation certificate,Third stage photos)are hereby enclosed. Hence the audit para may be dropped.

The Board has released an amount of Rs10 lakh on 9.7.2014 and Rs18.8 lakh on 5.2.2015 to the KRIDL as an advance amount. The area selected was park area, as it affects the trees, The Board directed to construct in any other area within the area coming under the jurisdiction of the Board and accordingly the agency revised

the estimate to Rs.39.30 lakh (13.2.2015) for which Board accorded administrative approval (13.2.2015). The total financial progress achieved was Rs.18.00 lakh (July 2015) only.

the construction of building had been delayed beyond the stipulated period and the Board had not levied penalty for delay in completion of work as the faulty agreement clause provided for levy of fine but had specified the quantum of fine.

The Board replied that the work is under progress and was nearing completion. However, delay in completion of work resulted in non-achievement of intended objectives.

**preparation of Annual Statement of Accounts.**

The Act, provides preparation accounts of the income and expenditure of the Board Fund and preparation of annual statement of accounts of the Board shall be audited annually by such Auditor as the state Government may appoint. It was observed that the accounts as per Act had not been prepared and audited annually. Government had not appointed auditor for the same. Due to this, the annual administration report does not include annual statement of accounts, income and expenditure accounts and Board had not prepared revenue account, capital accounts, public accounts, indicating opening balance, receipts, expenditure and closing balance. The closing balance under the statement of implementation agency wise release and expenditure details in annual reports does not reflect in opening balance for

**preparation of Annual Statement of Accounts**

This office had requested the Govt, vide the letter dated 1.08.2014 & 16.09.2016 to fill up the vacant post of auditor for conducting concurrent audit of the board account .

But the post is yet to be filled up. The matter is under correspondence with the Govt. Further the State Account and Audit department Bangalore has also been requested to appoint an auditor for auditing and the certification of the account of the board and the same is awaited.

The updated information will be submitted in next audit.

**III.** the next year in 5 cases for the year 2010-11 to 2011-12 and in 3 cases for the year 2013-14 to 2014-15.

There is difference of Rs.2,700 between closing balance of 2012-13 (Rs.31,25,503) to opening balance of 2013-14 (Rs.31,24,803). The omission is due to non-preparation of annual statement of account and non-auditing of the same by the auditor since auditor had not been appointed.

Due to this Board had not submitted the annual statement with Auditor's report to Government. Also the internal audit system had not been formed. Though this was pointed out during previous inspection report vide paraXII/IIB/ 2005-07, no action had been initiated. Board in reply stated that the matter is pending at Govt level regarding appointment of auditor for the work.

However, the omission continues and rectificatory action may be taken in this regard.

**Implementation Committee**

In accordance with rule 10 of the Malnad Area Development Board Act 1991, there shall be an Implementation which shall exercise such of the powers of the Board which are delegated to it by the Board and observe rules of procedure in regard to the transaction of business at its monthly meeting as may be provided regulations. However, it was observed that implementation committee had not formed and thus there was inadequate periodical monitoring and system of implementation.

In reply, the Board stated that the position would be discussed in the Board meeting Final reply may be furnished to audit.

**Implementation Committee**

The observations pointed in the audit will be brought for discussion in the board meeting and the final updated information will be furnished to audit.

**IX. Allocation of funds**

The Board prepares annual plan for the development of Malnad area every year and submit it to Government for approval. After approval, MADB provides fund to all 65 constituencies coming under 13 districts coming under the jurisdiction. However, there was no equi-distribution and the criteria have not been formulated for allocation which leads to non-uniformity. Also plan for comprehensive development of all rural areas in phased manner has not been formulated and there were no perspective plan prioritizing the needs and including a holistic approach. Need based survey has not been conducted. Asset register has not been maintained for the assets created through MADB fund for further to monitor the status of the asset created.

Board replied that on accordance with the provision of Act, the Board shall every

**Allocation of funds**

In accordance with the provision of Act, the board shall every year prepare an annual action plan for the developments of Malnad area and forward it to the state Government for the approval. Ater approval in the general body meeting of the board .

The schemes formulated are in accordance with the plan forwarded by development departments (Zilla panchayats and Non-Governmental Organizations recognized by the board ) functioning in Malnad area which shall be approved by the Board. Based on the proposal of implementing units, annual action plan will be approved in the General body meeting of the board and Government and implemented accordingly. Thus the question of non-uniformity of allocation of fund does not arise. Hence para may be dropped.

year prepare an annual plan for the developments of Malnad Area and forward it to the state Government for approval after approval in the General body meeting of the Board. The schemes formulated are in accordance with the plan forwarded by development departments.

Based on the proposal of implementing units, annual action plan will be approved in General body meeting of the Board and Government and Implemented accordingly. Thus the question of non-uniformity of allocation of funds does not arise.



However, the Board shall be responsible for implementation of schemes included in annual plan and five years plans through the development departments. (Section 15, Chapter 3 of Board Act). The Board has not prepared need based perspective plan for 5 years. Though the annual plan is based on proposal received from implementing units, there is no holistic approach due to non-conducting of need based survey which has an impact on comprehensive development of Malnad Area and allocation of funds.

**X. Execution of works through Piece work agreement.**

As per instructions contained in paragraph 167 of the Karnataka Public Works Departmental Code, entrustment of works under piece work system can be resorted to only in exceptional cases, where there is lack of response from tenderness or the rates quoted are too high to be accepted or where the work involved is of a petty nature. Instructions were also issued by Government discouraging the tendency of piece work entrustments, stating that the system besides being devoid of quality assurance in works, also fails to achieve transparency and economy in procurement. Paragraph 167(2) of K.P.W. Departmental code strictly prohibits splitting up of works just to bring it within the monetary limit of sanction of any authority other than the one competent to accord sanction for the work as a whole. Besides, the provisions also prohibit entrustment of works to piece workers or contractors without calling for competitive tenders.

As per action plan, the major work staken up were construction of CC road, CC drainage under SCP/TSP/other schemes at various places costing less than Rs.5 lakh. The implementing units entrust the work on piece work bases.

**Execution of works through Piece work agreement**

This office is not directly executing the work. After sanction of the administrative approval, the works will be entrusted to implementing agencies for execution as per the rules. The implementing officers will take up the work by tender basis /piece work system, after obtaining the approval from the chief engineer/superintending engineers according to the powers delegated to them (5 lakhs/3lakhs respectively)

However the observations made in this para will be communicated to the implementing officers for needful action hence the para may please be dropped.

The Board had not issued instruction to implementing units to entrust the work on package system.

The Board replied that the works area are scatted at different places in 13 districts and major number of works are of cost below 5 lakhs. As the programme is time bound and are to be implemented within the year as per approved action plan, the implementing units undertake many works on piece work system on the site demand condition and that the expenditure incurred is as per DSR rate and no additional expenditure other than DSR rate had been incurred. the Board however agreed to issue instructions henceforth.

## XI. Non-Receipt of Revenue

The Board has sanctioned proposal of Forest wing of Mysore Paper Mills (MPM) for rising and distribution of seedlings under Special programme approved in Board meeting.

Name of Taluk	name of work	year of sanction	Sanct ioned amount	sanction order
Sagar	Raising of ucalyptus pellata seedlings in survey no 110 of Sydoor village of MPM nursery and distribution.	2013-14	3.26	1092/ 11.02.2014
Sagar	Raising of eucalyptus pellata seedlings in sullalli MPM nursery of Avinahalli village and distribution.	2013-14	3.26	1092/ 11.02.2014
Thirth ahalli	production of seeds in MPM nursery at Kuttra village and distribution.	2013-14	6.550	1125A/15. 02.2014
Thirth ahalli	Raising of seedlings in MPM nursery at Hegggar and Kuttra village and distribution.	2012-13	10.00	914/ 27.12.2012
			<b>23.07</b>	

Based on the approval, MPM has raised seedling from the Board fund of Rs.23.07 lakh and distributed the seedlings to farmers on cost basis. It was observed that the MPM had not submitted progress of revenue realised and not

## Non-Receipt of Revenue

The Implementing officers have been directed vide this office letter dated 29.08.2016 & 09.01.2018 In the board meeting held with the Implementing officers on 26.09.2017 the concerned officers have been instructed to treat the matter on top priority and furnish the recovery details, updated information will be reported to audit, in due course.

remitted the amount. Also physical and financial progress of seedlings raised had not been submitted.

Action may be taken to review the progress and obtain the revenue realized on sale of seedlings/ seeds by MPM to the public on cost basis.

**XII. Maintenance of Registers.**

The Board has Maintained/updated the following registers.

**i. FSD register**

The implementing units as per approved action plan invites tender and after execution of work, the implementing units submits bills for payments along with FSD in the form FDR (Fixed deposit receipts) and the Board after defect liability period return the FSD to the implementing units after its requisition. The Board has not maintained separate register to watch FSD or kept the same safely. instead, the FSD has been enclosed in the final bill without accounting in a separate register and there is every possibility of misplacing / mishandling of FSD.

**Maintenance of Registers.**

The FSD register has been maintained and will be produced to next audit. Hence the para may be dropped.

**ii. Watch Register**

The Board entrusted many works to Nirmithi Kendra and KRIDL in order to achieve approved action plan and entered into agreements with condition to pay advance for implementation of work at various places. However, though the Board watches the advance payment work wise, separate watch register to monitor the overall position has not been maintained.

**iii. Library Register.**

The Board publishes annual reports every year and also publishes the Board Act. The Board purchased manuals and various Act and rules including general books. However, the Board had not drawn up total number of books purchased/published. There is no books kept for reference and stock register also no maintained. Also annual physical verification of books held under stock has not been conducted.

**Watch Register**

The Watch register has been maintained and will be produced to next audit. Hence the para may please be dropped.

**Library Register.**

The Library register has been kept. Information has been written. Register will be produced to next audit. Hence the para may please be dropped.

**iv. Building register.**

The PWD has leased 200X60 meters of land for 30 years to MADB vide GO dated 30.6.1995 at a nominal lease rent of Rs.12000/- per annum. The Board had constructed office building, residential quarters for officers and staff working in the Board in the area and also developed pavitravana in the vacant area.

However, it was observed that the Board has not maintained building register to undertake maintenance of buildings periodically.

**. Building register :**

The Building register has been maintained and will be produced to next audit. Hence the para may please be dropped.



**V. Machinery and furniture stock**

**Register and dead stock Register.**

The Board had maintained a stock register for furniture's, computers extra also stock verification has not been conducted in order to identify whether to repair or dispose the unserviceable items. Action may be taken and details produce during next audit.

The Board has agreed to update /maintain the above registers in reply.

**Machinery and furniture stock register and dead stock**

**Register :** As per the instructions, this register will be up dated and will be shown to next audit. Stock verification has been done. Hence the para may please be dropped.

### **XIII. Miscellaneous**

#### **i. Reconciliation of closing balance between cash book and bank pass book.**

Board maintains four cash book for different schemes and for its transaction maintain the four Bank accounts in State Bank of Mysore. Check of cash book and bank pass book pertaining to MADB transaction, revealed that there were difference between closing balance of cash book and bank pass book as follows.

<b>Cash book details</b>	<b>As per cash book</b>	<b>As per pass book</b>	<b>Difference</b>
TSP cash book	10011800	13655441	3643641
SCP cash book	20507791	26730622	6222831
Work cash book	Total not arrived	42977770	Not available
General cash book	3294950	2983440	311510

However, it was observed that 3 cash book had been closed without re-conciliation certificate reflecting cancelled cheques, un-encashed cheques etc .

Action may be taken to reconcile the differences as agreed to. Work cash book had not been closed till date. This may be looked into.

### **Miscellaneous**

Reconciliation of closing balance between cash book and bank pass book

Action will be taken to reconcile the difference between the cash book balance and pass book balance, every month & certificate to that effect will be recorded in the cash book and will be shown to audit.

Work cash book has been closed on 31.03.2015 and the balance as on that date is Rs. 10059120. The difference between the cash book and pass book balance will be reconciled and will be shown to next audit. At present every month reconciliation has been done.

**ii. Investment in Fixed deposits**

The Board receives fund from GOK and utilize the fund for implementation of various schemes. The Board invested the amount received from GOK for short term deposit before implementation of scheme in order to avoid keeping the money idle in Bank account. However, Board has not formulated investment policy.

Action may be taken to obtain necessary approval from Board/ Government approval keeping in view instruction issued by FD in November 2009.

**Investment in Fixed deposits:**

Funds are being kept in fixed deposits for a short period in view of getting the higher rate of interest and the approval will be taken from the board meeting. At present Board amount has not been kept in fixed deposit. In future, amount will not be kept in fixed deposits without the approval of Board/Govt and will be furnished to audit.

**iii. Data base of assets created.**

As per State Government guidelines, the MADB was to develop data base in consultation with ZPE Division, PWD etc., to take up such scheme /projects as were necessary to achieve balanced development of the area. This data base would exclude those works which were falling within the regular programme of ZPEd /PWD etc.

It was noticed that the Board had not developed such data base and had resorted to short terms plans (Annual Plans). As a result, only works like improvement to road costing less than Rs.5 lakh were planned and taken up in large number.

Action may be taken to create data base and details may be furnished during next audit.

**Data base of assets created:-**

This will be noted for future guidance, and the action will be taken to attend the observations.

**iv. Adequacy of internal audit**

Internal audit wing is essential for maintaining effective check over revenue and expenditure and also for detection of fraud and any errors. The Board releases fund to various agencies for implementation of schemes and the Board had not constituted the internal Audit Wing.

**Adequacy of internal audit :-**

**The Government will be appraised in the matter. presently the same is being done through the account staff deputed by the Karnataka state Audit and accounts department.**

Secretary,  
Malnad Area Development Board,  
Shimoga.