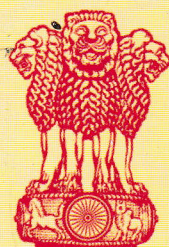
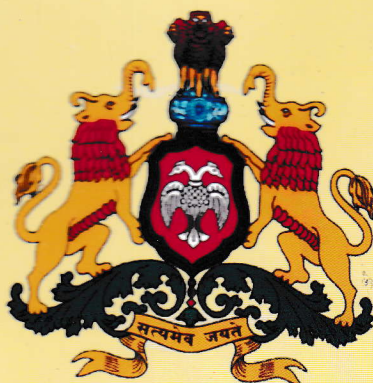


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सत्यमेव जयते

**Report of the  
Comptroller and Auditor General of India  
on  
General and Social Sector  
For the year ended March 2013**



**Government of Karnataka  
Report No.3 of the year 2014**



**Report of the  
Comptroller and Auditor General of India  
on  
General and Social Sector  
For the year ended 31 March 2013**

**Government of Karnataka  
Report No.3 of the year 2014**







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# PREFACE

This Report of the Comptroller and Auditor General of India has been prepared for submission to the Governor under Article 151 of the Constitution for being laid before the State Legislature.

The report covering the year 2012-13 contains significant results of the compliance and performance audit of the Departments/Autonomous Bodies of Departments of the Government of Karnataka under the General and Social Services including Department of Agriculture under Economic and Revenue Services.

Audit had been conducted in conformity with the auditing standards issued by the Comptroller and Auditor General of India, based on the auditing standards of the International Organisation of Supreme Audit Institutions.

Chapter-1 of this report covers auditee profile, authority for audit, planning and conducting of audit and responses of the department to the draft paragraphs. Highlights of audit observations included in this Report have also been brought out in this chapter.



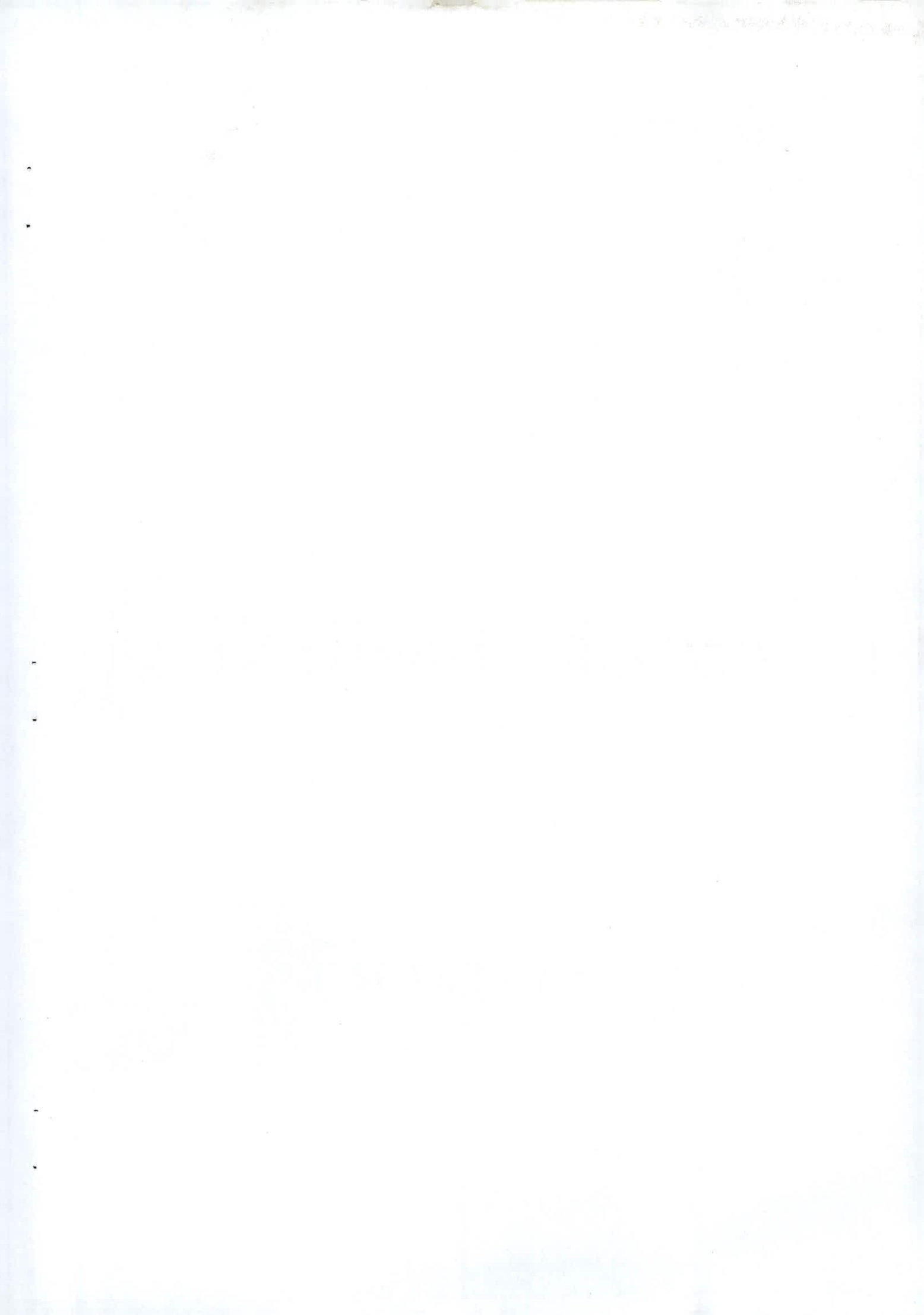




# **CHAPTER-1**

# **INTRODUCTION**





# 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 compliance audit 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 arising out of compliance audit in Government Departments and autonomous bodies.

## 1.2 Auditee Profile

The Principal Accountant General (General & Social Sector Audit), Karnataka Bangalore conducts audit of the expenditure under the General and Social Services incurred by 66 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**

Receipts			Disbursements				
	2011-12	2012-13		2011-12	2012-13		
				Total	Non Plan	Plan	Total
Revenue receipts	69,806.27	78,176.22	Revenue expenditure	65,115.07	55,081.58	21,211.68	76,293.26
Tax revenue	46,475.96	53,753.56	General services	16,445.48	20,028.35	152.50	20,180.85
Non-tax revenue	4,086.86	3,966.10	Social services	25,171.73	17,110.39	13,309.41	30,419.80
Share of union taxes/ duties	11,075.04	12,647.14	Economic services	19,153.90	15,112.05	6,562.14	21,674.19
Grants-in-aid & contributions from GOI	8,168.41	7,809.42	Grants-in-aid and contributions	4,343.96	2,830.79	1,187.63	4,018.42
Section-B: Capital and others							
Misc. Capital receipts	89.19	33.04	Capital outlay	15,505.65	321.65	15,156.82	15,478.47
			General services	625.49	27.09	562.38	589.47
			Social services	2,695.19	6.64	2,909.35	2,915.99
			Economic services	12,184.97	287.92	11,685.09	11,973.01
Recoveries of loans and advances	240.40	157.61	Loans and advances disbursed	1,815.55	17.77	1,084.60	1,102.37
Public debt receipts*	9,357.95	13,464.66	Repayment of public debt*	3,319.88	3,727.06	---	3,727.06
Contingency Fund	12.53	0.51	Contingency Fund	0.51	--	--	--
Public Account receipts	94,408.53	1,07,548.81	Public Account disbursements	86,216.03	--	--	1,01,877.94
Opening cash balance	7,667.31	9,609.49	Closing cash balance	9,609.49	--	--	10,511.24
Total	1,81,582.18	2,08,990.34	Total	1,81,582.18			2,08,990.34

(Source: Finance accounts 2012-13)

\* Excluding net transactions under ways and means advances and overdrafts

### 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<sup>1</sup> 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)<sup>2</sup> and 19(3)<sup>3</sup> of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of 298 other autonomous bodies, under Section 14<sup>4</sup> of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Audit of accounts of Corporations established by law made by the State Legislature on the request of the Governor.

<sup>4</sup> Audit of (i) 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.



## **1.4 Organisational structure of the Office of the Principal Accountant General (G&SSA), Karnataka, Bangalore**

Under the directions of the C&AG, the Office of the Principal Accountant General (General & Social Sector Audit), Karnataka, 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 2012-13, in the General & Social Sector Audit Wing, 6648 party-days were used to carry out audit of 403 units and to conduct one performance audit.

## **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 one performance audit. The highlights are given in the following paragraphs:

#### **1.6.1.1 Functioning of the Karnataka Residential Educational Institutions Society**

The Government had established (October 1999) the Karnataka Residential Educational Institutions Society to establish, maintain, control and manage all



residential educational institutions in the State. As of April 2013, 542 residential educational institutions had been functioning in the State under the control of the Society to impart quality education to meritorious children belonging to educationally, socially and economically weaker sections of the Society. A performance audit of the functioning of the Society showed the following:

- The Government/Society had not followed any norms or criteria for establishing residential educational institutions which was driven mainly by recommendations received from the elected representatives. As a result, the number of residential schools and colleges proliferated without the Government being in a position to provide basic infrastructural facilities to all of them.
- As of April 2013, only 234 (43 *per cent*) residential schools and colleges had own buildings while others had been functioning in rented or rent free premises lacking basic facilities such as toilet, bathroom, classroom, playground, library, benches and tables, laboratories *etc.* Land for 108 out of 542 residential schools/colleges had not been identified till date though 47 out of these 108 schools had been sanctioned prior to 2008-09.
- The residential schools functioning with less than 75 *per cent* of the sanctioned strength of students belonging to the primary target groups had increased during 2008-13 and constituted 46 *per cent* as of April 2013. The proportion of residential schools functioning with less than 50 *per cent* of students from the primary target groups was 18 *per cent*. Thus, these schools failed to attract students belonging to the targeted weaker sections of the Society.
- The financial management by the Society was not effective as funds remained unused at the end of each year during 2008-13. This was, *inter alia*, due to the client Departments releasing 33 to 100 *per cent* of the funds during the last quarter of each year. The Society also failed to optimise the returns on investment of surplus funds.
- The tendering process for construction of residential schools/colleges had not been compliant with the provisions of the Karnataka Transparency in Public Procurement Act, 1999. The evaluation of tenders had also not been consistent with the conditions spelt out in the tender documents, resulting in award of construction contracts to ineligible agencies during 2008-13. The eligibility criteria for hiring Project Management Consultants had been diluted year after year without sound rationale and a large number of consultancy contracts had been awarded by the Society in violation of its own norms.
- The Society did not have land in its possession before awarding construction contracts, resulting in delay ranging from 16 to 520 days in handing over sites to contractors appointed for construction of 163 out of 210 residential schools. The Society had also acquired private land costing ₹ 1.20 crore though Government land was available.

- Absorption of teaching staff engaged on contract basis had witnessed deficiencies as ineligible teaching staff had been absorbed. Similarly, ineligible candidates had been appointed by the Society under the direct recruitment of teaching and non-teaching staff. The Society's disregard of the High Court's directives resulted in posting of more than one subject teacher to residential schools in 446 cases, resulting in wasteful expenditure of ₹ 7.73 crore.
- While the pass percentage of students studying in residential schools increased from 89 in 2007-08 to 95 in 2012-13, it increased from 28 in 2010-11 to 54 in 2012-13 in respect of residential Pre-University colleges during 2010-13.
- Monitoring was ineffective as various deficiencies in the functioning of the residential schools/colleges had continued to remain unaddressed.

(Paragraph 2.1)

### 1.6.2 Compliance audit

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of the Government Departments/organisations. Some significant audit findings are as under:

#### 1.6.2.1 Disbursement of agricultural subsidies

A review of the implementation of schemes aimed at supporting agricultural activities by providing subsidy to small and marginal farmers showed the following:

Though the State policy on 'Organic Farming' prescribed an integrated approach to promote organic farming, the Government's approach was disaggregated as it consisted of only payment of subsidy to a handful of persons in each taluk for undertaking certain activities connected with organic farming. The integrated approach was lacking as convergence of all related schemes of different Departments had not been established to create an enabling atmosphere for sustained organic farming at appropriate places. The implementation of the scheme witnessed several shortcomings right from selection of NGOs to disbursement of subsidies. Checks and balances for ensuring that subsidy was paid only to eligible beneficiaries had been compromised, creating scope for financial irregularities.

Under the Suvarna Bhoomi Yojana-Agriculture, payment of incentives to the beneficiaries to procure the inputs for sowing had been badly delayed, defeating the very purpose of the incentive. The performance of the Third Party Agencies appointed for verifying the crops grown by the beneficiaries was far from satisfactory and failed to provide assurance that incentives had been disbursed to eligible beneficiaries.



GOI's grant-in-aid given for seed replacement under Prime Minister's Rehabilitation Package in six districts which had reported high incidence of suicides had not been fully made use of and the State Government lost central assistance of ₹ 85.33 crore.

(Paragraph 3.1)

#### ***1.6.2.2 Audit of Human Resources Management System***

Transferring the legacy data to HRMS unscientifically rendered the database inaccurate and unreliable. Even after migration of data to HRMS, the data quality and design issues had not been addressed effectively by creating necessary masters and mapping the business rules in the form of validation checks. This created a need for manual intervention in payroll processing leading to wrong determination of the entitlements of the employees.

(Paragraph 3.2)

#### ***1.6.2.3 Functioning of Karnataka Building and Other Construction Workers' Welfare Board***

The State Government framed the Karnataka Building and Other Construction Workers (Regulation of Employment and Conditions of Services) Rules, 2006 and constituted the Karnataka Building and Other Construction Workers' Welfare Board for the welfare of the construction workers in the State. However, the Board had not been able to achieve its objective as the number of employers and construction workers registered with the Board was dismally low. The low registration level was attributable mainly to (i) inadequate efforts to create awareness among the construction workers of the benefits of registration (ii) absence of linkages with the agencies responsible for giving approvals for construction activities to identify the employers and the workers and (iii) insufficient number of registering officers. While on the one hand the Board lost substantial revenue from cess collection on account of its inability to identify the employers, on the other, it had not been able to spend the available funds for the welfare of the construction workers as the number of construction workers registered with the Board was negligible. There were no adequate checks and balances in the Board on the implementation of the welfare schemes, resulting in several financial irregularities.

(Paragraph 3.3)

#### ***1.6.2.4 Pradhan Mantri Swasthya Suraksha Yojana(PMSSY)***

The construction of Super Speciality Hospital (SSH) and purchase of equipment under PMSSY witnessed lack of planning and due diligence, resulting in (i) procurement of equipment far ahead of construction of the SSH, (ii) non-procurement of all the essential equipment required for all the departments of the SSH and (iii) non-recruitment of the requisite medical, paramedical and other support staff. The implementation of PMSSY did not result in the delivery of expected better healthcare facilities due to acute

shortage of medical and paramedical staff and lack of essential equipment. No benchmarks had also been prescribed to judge the outcome from the implementation of PMSSY.

**(Paragraph 3.4)**

#### **1.6.2.5 Other audit observations**

The Government approved the establishment of an Armed Police Training School. After incurring expenditure of ₹ 5.32 crore the work on the school was stopped midway and the use of the buildings constructed had not been decided.

**(Paragraph 3.6)**

Despite Government directive, aided Pre-university colleges had irregularly extended pay fixation benefit to the teaching staff for the period of unaided service, resulting in excess payment of salaries aggregating ₹ 34.75 crore.

**(Paragraph 3.10)**

Deputy Commissioner, Dakshina Kannada district unauthorisedly permitted 53.65 acres of Government land valued at ₹ 72.43 crore, to be developed as a golf course.

**(Paragraph 3.11)**

The Government granted 11 acres and 11 guntas of land to a Trust at a concessional price of ₹ 3.95 crore against the market value of ₹ 10.15 crore by unjustifiably relaxing the provisions in the Karnataka Land Grant Rules.

**(Paragraph 3.12)**

The Government irregularly sanctioned grant of ₹ 2 crore to a Trust against the budget provision provided for the welfare of the Scheduled Castes, Scheduled Tribes and Other Backward Classes.

**(Paragraph 3.15)**

Bangalore Development Authority (BDA) irregularly donated ₹ 10.19 crore for various purposes not permitted by the BDA Act.

**(Paragraph 3.16)**

BDA awarded the advertising rights of five flyovers to two agencies for ₹ 7.29 crore for a period of five years. The agreements of these agencies had not been renewed every year, though required. After remitting ₹ 2.79 crore, the agencies stopped further payments. BDA took no action till the expiry of the five year period, losing a revenue of ₹ 4.50 crore in the process.

**(Paragraph 3.17)**

The Karnataka Urban Water Supply and Drainage Board took up a water supply scheme to meet the drinking water requirement of Tiptur and Arasikere



towns during the summer season. The Board completed the same at a cost of ₹ 2.72 crore without connecting the source to the water treatment plant. Subsequently, the Government sanctioned another water supply scheme exclusively for Arasikere town, rendering the expenditure of ₹ 2.72 crore incurred on the earlier scheme wasteful.

**(Paragraph 3.18)**

BDA took up the restoration of a lake without clearing the encroachments and without diverting the sewage flow into the lake. After incurring an expenditure of ₹ 1.06 crore on restoration, there was no improvement in the condition of the lake which continued to receive sewage water, polluting the environment.

**(Paragraph 3.24)**

## **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 December 2013, 258 IRs (879 paragraphs) were outstanding against Primary and Secondary Education 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 103 paragraphs issued between 2007-08 and 2011-12.

### **1.7.2 Response of Departments to the draft paragraphs**

The Draft paragraphs/Performance audit reports were forwarded demi-officially to the Principal Secretaries/Secretaries of the concerned Departments between July and September 2013 with the request to send their responses within six weeks. Government replies have been received for 5 out of 24 paragraphs featured in this Report. The replies, wherever received, have been suitably incorporated in the Report.



### 1.7.3 Follow-up on Audit Reports

The Hand Book and 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 15 Departments as detailed in **Appendix-1.2** had not submitted ATNs for 51 paragraphs for the period 1995-96 to 2011-12 even as of December 2013.

### 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 December 2013 are detailed in **Appendix-1.3**.





## **CHAPTER-2**

# **PERFORMANCE REVIEW**

### **2.1 Functioning of the Karnataka Residential Educational Institutions Society**











**Social Welfare Department****2.1 Functioning of the Karnataka Residential Educational Institutions Society****Executive Summary**

The Government had established (October 1999) the Karnataka Residential Educational Institutions Society to establish, maintain, control and manage all residential educational institutions in the State. As of April 2013, 542 residential educational institutions had been functioning in the State under the control of the society to impart quality education to meritorious children belonging to educationally, socially and economically weaker sections of the society. A performance audit of the functioning of the society showed the following:

- The Government/society had not followed any norms or criteria for establishing residential educational institutions which was driven mainly by recommendations received from the elected representatives. As a result, the number of residential schools and colleges proliferated without the Government being in a position to provide basic infrastructural facilities to all of them.
- As of April 2013, only 234 (43 *per cent*) residential schools and colleges had own buildings while others had been functioning in rented or rent free premises lacking basic facilities such as toilet, bathroom, classroom, playground, library, benches and tables, laboratories *etc.* Land for 108 out of 542 residential schools/colleges had not been identified till date though 47 out of these 108 schools had been sanctioned prior to 2008-09.
- The residential schools functioning with less than 75 *per cent* of the sanctioned strength of students belonging to the primary target groups had increased during 2008-13 and constituted 46 *per cent* as of April 2013. The proportion of residential schools functioning with less than 50 *per cent* of students from the primary target groups was 18 *per cent*. Thus, these schools failed to attract students belonging to the targeted weaker sections of the society.
- The financial management by the society was not effective as funds remained unused at the end of each year during 2008-13. This was, *inter alia*, due to the client Departments releasing 33 to 100 *per cent* of the funds during the last quarter of each year. The society also failed to optimise the returns on investment of surplus funds.
- The tendering process for construction of residential schools/colleges had not been compliant with the provisions of the Karnataka Transparency in Public Procurement Act, 1999. The evaluation of tenders had also not been consistent with the conditions spelt out in the tender documents, resulting in award of construction contracts to ineligible agencies during 2008-13. The eligibility criteria for hiring Project Management



Consultants had been diluted year after year without sound rationale and a large number of consultancy contracts had been awarded by the society in violation of its own norms.

- The society did not have land in its possession before awarding construction contracts, resulting in delay ranging from 16 to 520 days in handing over sites to contractors appointed for construction of 163 out of 210 residential schools. The society had also acquired private land costing ₹ 1.20 crore though Government land was available.
- Absorption of teaching staff engaged on contract basis had witnessed deficiencies as ineligible teaching staff had been absorbed. Similarly, ineligible candidates had been appointed by the society under the direct recruitment of teaching and non-teaching staff. The society's disregard of the High Court's directives resulted in posting of more than one subject teacher to residential schools in 446 cases, resulting in wasteful expenditure of ₹ 7.73 crore.
- While the pass percentage of students studying in residential schools increased from 89 in 2007-08 to 95 in 2012-13, it increased from 28 in 2010-11 to 54 in 2012-13 in respect of residential Pre-University colleges during 2010-13.
- Monitoring was ineffective as various deficiencies in the functioning of the residential schools/colleges had continued to remain unaddressed.

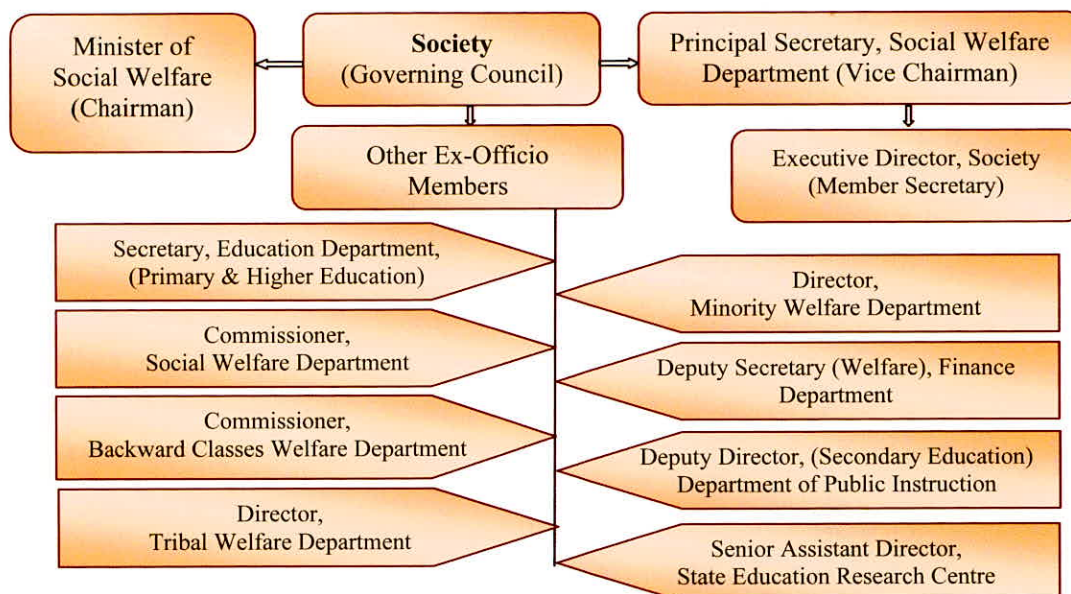
### 2.1.1 Introduction

Education provides a strong base for the social, economic, scientific and political upliftment of every individual. The Department of Social Welfare (SW) had established Morarji Desai Residential Schools (MDRS) since 1996-97 on the lines of Jawahar Navodaya Model Residential Schools of Government of India (GoI), to provide quality education along with residential facility to meritorious students belonging to Scheduled Castes (SC), Scheduled Tribes (ST), Backward Classes and Minority groups. In the beginning, the residential schools had been set up by respective Departments such as Department of Public Instruction, Department of Social Welfare, Department of Backward Classes Welfare, *etc.* At the beginning of April 1999, 66 residential schools had been functioning in the State. In October 1999, the Government established the Karnataka Residential Educational Institutions Society (Society) to establish, maintain, control and manage residential educational institutions in the State. The client Departments of Social Welfare (SW), Tribal Welfare (TW), Backward Classes Welfare (BC) and Minority Welfare (MW) released funds to the Society from out of their budgetary allocations for establishing and maintaining residential educational institutions. As of July 2013, 542 residential schools and colleges had been functioning in the State.

The working of the Society during 2002-07 had earlier been reviewed by Audit (January to April 2006 and July 2007) and the Audit findings had been incorporated in Paragraph 3.8 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2007. We had observed

during the Audit that the objective of providing better administration of residential schools had not been achieved. We felt the need to examine whether the administration of residential schools and colleges in the State had improved subsequently, and, therefore, conducted a performance audit of the working of the Society covering the period 2008-13. This report incorporates the results of the performance audit.

### 2.1.2 Organisational set up



### 2.1.3 Audit objective

Audit was conducted with the objective of evaluating the effectiveness of the functioning of the Society with particular reference to

- norms for establishment of the residential schools;
- utilisation of funds for the designated purpose;
- efficiency and effectiveness in execution of projects to create infrastructure in residential schools;
- efficiency and effectiveness in maintenance of the residential schools; and
- adequacy of monitoring and effectiveness of the internal control system.

### 2.1.4 Audit criteria

The criteria for this performance audit had been derived from the following sources:

- Byelaws, rules and regulations of the Society.
- Karnataka Transparency in Public Procurement Act, 1999 and Rules, 2000.
- Cadre and Recruitment Rules of the Society.
- Orders of GoI/State Government issued from time to time.
- Best practices followed by Jawahar Navodaya Vidyalayas.



## 2.1.5 Audit scope and methodology

The performance audit commenced with an entry conference held on 2 May 2013 with the Principal Secretary, SW in which the audit scope, criteria and methodology were explained. Audit was conducted during December to June 2013 covering the period 2008-13 through a test-check of records of the offices of the Society, Principal Secretary, SW, Principal Secretary, BC, Secretary, MW, Commissioner, SW, Commissioner, BC, Director, TW, Director, MW and 110 out of 542 residential schools/colleges in 23 taluks of 10 districts. We followed multi-stage random sampling for selection of districts, taluks and residential schools. We had conducted joint inspection of these residential schools/colleges with the departmental representatives. We had also obtained information from the residential schools/colleges through a set of proformae devised for the purpose. Audit findings were discussed with the Principal Secretary, SW in an exit conference held on 8 November 2013. The report takes into account the replies furnished by the Society. We thank the State Government and the Society for the cooperation extended in conducting this performance audit.

## Audit findings

### 2.1.6 Planning

#### 2.1.6.1 Absence of norms for establishing residential schools

Prior to establishment of the Society, the client Departments had established MDRS separately for students belonging to SC, ST, BC and minority communities. In addition, four Ekalavya Model Residential Schools (EMRS) had been established with financial assistance provided by the GoI exclusively for the benefit of students belonging to ST. After its formation, the Society established MDRS, EMRS, Kittur Rani Chennamma Residential Schools (KRCRS) and Morarji Desai Residential Pre-university Colleges (MDRPUC). The details of residential schools and colleges existing in the State as of April 2008 and April 2013 are shown in **Table-2.1**:

**Table-2.1: Details of residential schools/colleges at the beginning of 2008-09 and 2013-14**

MDRS including EMRS, KRCRS and MDRPUC for the benefit of	Number of residential schools/ colleges as of April 2008	Number of residential schools/ colleges as of April 2013
Schedule Castes	150	270
Scheduled Tribes	32	71
Backward Classes	104	145
Minorities	48	56
<b>Total</b>	<b>334</b>	<b>542</b>

(Source: Information furnished by the Society)

District-wise distribution of residential schools and colleges as of April 2008 and April 2013 are shown in **Appendix-2.1** and **Appendix-2.2** respectively.

At the time of establishing the Society in October 1999, the Finance Department (FD) had observed that the existing residential schools had been haphazardly distributed and the decision to establish such schools had not



been taken on the basis of survey, need, backwardness *etc.*, Observing further that no criteria had been evolved for establishment of new residential schools by the Society, the FD insisted that no new residential schools should be established till the existing ones became fully operational and that a definite criteria on the basis of population, distance, literacy rates, location of other residential schools should be established to see that residential schools did not proliferate.

We observed that during 2008-13, the Executive Director (ED) of the Society had received requests from Ministers and other elected representatives for establishing residential schools at specified locations and the ED had been consolidating such requests and forwarding the proposals to the Government for sanction. The proposals prepared by the ED showed absence of due diligence as the need for the residential schools in terms of population, distance, literacy rates *etc.*, had not been examined by the ED before forwarding the proposals for Government sanction. The Government had also not examined the need or viability of the residential schools before sanctioning 65 MDRS (September 2008:5, August 2008:46 and September 2009:14), 114 KRCRS exclusively for girls (SC-82 and ST-32) during May 2009 and 29 MDRPUC (SC -12, ST – 2, BC – 12 and Minorities – 3) during July 2009. A structured approach for examining the need for establishing residential institutions was not visible.

Out of 270 MDRS meant for students belonging to SC functioning as of April 2013, 120 (44 *per cent*) had been sanctioned during 2008-13. Similarly, out of total 71 MDRS set up for students belonging to ST, 39 (55 *per cent*) had been sanctioned during 2008-13. In the absence of any basis or norms for establishing residential schools, a few districts had been preferred to others while sanctioning new residential schools, resulting in their skewed distribution (**Appendix-2.1**). As of July 2013, eight<sup>1</sup> districts did not have MDRS for ST while four<sup>2</sup> districts did not have MDRS for minorities. Belgaum district had the maximum number (36) of MDRS followed by Bellary and Gulbarga (29 each) and Hassan and Tumkur (28 each).

The replies received from the client Departments were as under:

- The Commissioner of SW stated (May 2013) that the proposals for establishing SC residential schools prepared by the Society had been submitted directly to the Government. As such, the criteria and the guidelines prescribed for establishment of schools were not available.
- The Principal Secretary, BC stated (May 2013) that the residential schools had been sanctioned as per the approval of the Cabinet after obtaining the concurrence of the FD on the basis of proposals received

<sup>1</sup> Bangalore (Urban), Dakshina Kannada, Gulbarga, Hassan, Kolar, Mandya, Shimoga and Udupi

<sup>2</sup> Bangalore (Rural), Bangalore (Urban), Udupi and Yadgir



from the Society and representations from Ministers, Members of Legislative Assembly and other prominent persons.

- The Director of TW stated (May 2013) that the Society received demands from the districts and submitted proposals to the Government for sanction.
- The Director of MW stated (May 2013) that no norms or guidelines had been prescribed for establishment of the residential schools.

The replies showed that establishment of residential schools/colleges did not follow any norms/criteria.

### **2.1.6.2 Lack of basic infrastructural facilities in residential schools and Pre-university colleges**

We observed that the Government, while sanctioning a number of residential schools and colleges, had not examined whether the infrastructure and other facilities essential for the residential schools could be provided with the available resources. The residential schools and colleges initially functioned in rented buildings lacking basic infrastructural facilities till the requisite infrastructure had been created by the Society. As of July 2013, 308 (57 per cent) out of 542 residential schools and colleges had been functioning in rented buildings including 120 schools sanctioned prior to 2008-09. The details are shown in **Table-2.2**:

**Table-2.2: Details of residential schools/colleges functioning in rented buildings**

Sl.No	Particulars	SC	ST	BC	MC	Total
1	No of residential schools as of April 2008	150	32	104	48	334
2	Functioning in rented buildings as of April 2008	59	22	60	33	174
3	Functioning in rented buildings as of July 2013	39	14	41	26	120
4	Additional schools and colleges sanctioned during 2008-13	120	39	41	8	208
5	No of additional schools and colleges functioning in rented buildings as of July 2013 (out of 4)	116	30	34	8	188
6	Total number of schools and colleges existing as of July 2013 (1+4)	270	71	145	56	542
7	Total number of schools and colleges functioning in rented buildings as of July 2013 (3+5)	155	44	75	34	308

(Source: Information furnished by the Society)

While construction of buildings for 138 schools was in progress, buildings for 34 schools were at the tendering stage and estimates were under preparation for another 28 schools. Land for the remaining 108 schools had not been identified yet.

We observed from the information furnished by the residential schools that many of these lacked basic infrastructural facilities as shown in **Table-2.3**:



**Table-2.3: Infrastructure available in residential schools**

Infrastructure required	No of schools which furnished information	No of schools having the infrastructure	No. of schools not having infrastructure	Percentage of schools not having the requisite infrastructure	Remarks
Own buildings	481	207	274	57	211 out of 274 remaining buildings had been functioning in rented buildings while 63 had been functioning in rent free buildings.
Playground	480	272	208	43	-
Separate toilets for boys and girls	402	348	54	13	-
Library	481	218	263	55	-
Laboratory	481	196	285	59	-
Computer laboratory	481	284	197	41	-
Recreation facilities	480	227	253	53	-
Benches and tables	481	303	178	37	-
Drinking water	449	235 with purification systems	214	48	192 schools were using the borewell water without treatment while another 22 were using water supplied through tankers.
Separate hostel buildings for boys and girls	394	316	78	20	-
Hot water for children	476	250	226	47	-
Dining hall	478	147	331	69	-
Dining tables and chairs	478	144	334	70	-
Staff quarters	481	99	382	79	-

(Source: Information furnished by schools)

Out of 110 schools jointly inspected, 55 were functioning in own buildings, three in rent-free buildings and 52 in rented buildings. During the joint inspection, we found infrastructural deficiencies in 56 schools and colleges including 52 functioning in rented buildings.

Each residential school catered to the needs of students studying in VI to X Standard. Each Standard had one section with a maximum students' strength of 50. Thus, a residential school which had been in existence for five years would have a maximum student strength of 250. In this context, the residential schools should have sufficient number of bathrooms and toilets to cater to the needs of 250 boys and girls. We observed that 57 *per cent* of the residential schools (274 out of 481) functioning in rented or rent free buildings did not have the requisite number of bathrooms and toilets for the students. Out of 56 schools, where we found deficient infrastructural facilities, 25 schools did not have sufficient or proper toilet facilities. Ten out of these 25 schools did not have either bathrooms or toilets or both as shown in **Appendix-2.3**.

Other infrastructural deficiencies noticed during the joint inspection of residential schools and colleges are shown in **Appendix-2.4**.

Thus, sanctioning of a number of residential schools and Pre-university (PU) colleges without creating the requisite infrastructure did not help the cause of providing qualitative education to students belonging to the weaker sections of the Society.

### 2.1.6.3 Sub-optimal student strength in residential schools

Each MDRS had been sanctioned primarily for students belonging to a particular category though students belonging to other backward classes had also been given a share of the seats in the MDRS. While 75 per cent of the seats has to be earmarked for the category for which the MDRS had been primarily established, the remaining 25 per cent seats were meant for students belonging to other backward classes. The sanctioned strength for each MDRS/KRCRS was 250 students.

A KRCRS for SC students earmarked 60 per cent of the seats for SC, 15 per cent for ST and 25 per cent for other backward classes. Similarly, a KRCRS for ST allocated 60 per cent of the seats for ST, 15 per cent for SC and 25 per cent for other backward classes.

We compiled information furnished by the MRDS and KRCRS and observed that many residential schools, both MDRS and KRCRS, had been functioning with sub-optimal strength of students as shown in Table-2.4:

**Table-2.4: Sub-optimal strength of students**

Year	Total of no of residential schools existing	No of schools which furnished information to Audit	No of schools functioning with less than 75 per cent of the sanctioned strength	No of schools functioning with less than 50 per cent of the sanctioned strength	No of schools functioning with less than 75 per cent of sanctioned strength of the respective category of students	No of schools functioning with less than 50 per cent of sanctioned strength of the respective category of students
2008-09	385	244	40 (16)	19 (8)	61 (25)	31 (13)
2009-10	499	331	88 (27)	34 (10)	126 (38)	60 (18)
2010-11	513	337	82 (24)	22 (7)	139 (41)	62 (18)
2011-12	513	339	85 (25)	24 (7)	157 (46)	63 (19)
2012-13	513	397	84 (21)	31 (8)	181 (46)	73 (18)

(Source: Information furnished by Society)

(Figures in brackets show percentage)

Thus, while 16 to 27 per cent of the MDRS functioned with less than 75 per cent of the sanctioned student strength during 2008-13, 7 to 10 per cent had only less than 50 per cent of the optimum students' strength.

Further, the percentage of schools functioning with less than 75 per cent of the sanctioned strength of students belonging to the primary target groups kept steadily increasing during 2008-13 and stood at 46 per cent as of April 2013. The proportion of schools functioning with less than 50 per cent of the students belonging to the primary target groups was steady at 18 per cent. Our scrutiny also showed that the vacant seats were filled to some extent with students belonging to other backward classes.

Thus, establishment of MDRS/KRCRS without following any norms or criteria failed to attract students belonging to the targeted weaker sections.

### 2.1.6.4 Conversion of MDRS to EMRS

GoI sanctioned (July 2010) establishment of six EMRS in the State (each at a cost of ₹ 10 crore) exclusively for students belonging to ST in addition to the four existing ones and released ₹ 34.50 crore (₹ 24 crore in July 2010,



₹ 6 crore in March 2012 and ₹ 4.50 crore in December 2012) to the State Government. The establishment of these EMRS including their maintenance was fully funded by GoI. One of the six EMRS was to be established at Devarakotta village of Hiriya Taluk, Chitradurga district. We observed that the State Government had already sanctioned (August 2008) one MDRS school at Devarakotta village for ST students under the State budget and it had been functioning since August 2008 in a rented building till December 2011 when the necessary infrastructure had been created under the State budget. Against this background, the ED informed (October 2011) the Director, TW that establishing another EMRS at the same village for ST students was not proper as it would not be possible to achieve the required students' strength for both the schools. The ED, therefore, proposed conversion of the existing ST MDRS into EMRS. On the recommendation (December 2011) of the Director of TW, the State Government approved (December 2012) the conversion of the existing MDRS to EMRS and adjustment of the expenditure of ₹ 4.69 crore already incurred on the existing MDRS against grants released by GoI for construction of new EMRS. The Government also accorded (December 2012) administrative approval for the revised estimate of ₹ 10 crore which included additional works costing ₹ 5.31 crore. The Society had not taken up the additional works so far (March 2013).

Though it had sanctioned the MDRS for ST at Devarakotta village in August 2008, there was no due diligence by the State Government when it projected Devarakotta village again to GoI (March 2010) for establishment of EMRS. Instead of converting the existing MDRS into an EMRS, the State Government could have selected another deserving location for EMRS and projected it to GoI. However, by converting the existing ST MDRS into an EMRS, the State Government had wrongfully used the central grant for adjusting the grant against expenditure already incurred rather than utilising the central grant to create more schools for the benefit of students belonging to the ST community.

### 2.1.7 Financial Control, Budget and Expenditure

Funds received by the Society from the client Departments during 2008-13 for constructing residential schools and meeting the maintenance cost and the expenditure thereagainst were as shown in **Table-2.5**:

**Table-2.5: Funds received for residential schools and expenditure there against**

Department	OB	2008-09		2009-10		2010-11		2011-12		2012-13		Total		Closing balance	Percentage of utilisation
		Rec	Exp	Rec	Exp	Rec	Exp	Rec	Exp	Rec	Exp	Rec*	Exp		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Social Welfare	35.07	33.66	12.16	64.32	41.45	119.60	88.04	169.75	218.01	186.71	255.48	609.11	615.14	-6.03	101
Tribal Welfare	9.42	8.31	2.72	12.34	19.32	73.25	22.24	46.39	65.82	112.24	83.73	261.95	193.83	68.12	74
* Backward Classes	14.48	33.70	27.19	31.79	30.35	28.86	57.54	136.75	134.90	154.69	154.68	400.27	404.66	-4.39	101
Minorities	5.51	12.46	0.72	23.25	9.47	18.46	24.24	46.74	57.52	51.70	46.44	158.12	138.39	19.73	88
<b>Total</b>	<b>64.48</b>	<b>88.13</b>	<b>42.79</b>	<b>131.70</b>	<b>100.59</b>	<b>240.17</b>	<b>192.06</b>	<b>399.63</b>	<b>476.25</b>	<b>505.34</b>	<b>540.33</b>	<b>1429.45</b>	<b>1352.02</b>		

(Rec=Receipt, Exp=Expenditure), (Source: Information furnished by Society)

\* Total receipts includes opening balance. The closing balance is the difference between the total receipts and the total expenditure



In addition, the Society had also received from the Departments of SW, TW, BC and MW funds for construction of hostels and Ashram<sup>3</sup> schools. The Society handed over these hostels and schools to the respective Departments for maintenance. Details of funds received by the Society for these hostels and Ashram schools during 2008-13 and the expenditure thereagainst were as shown in **Table-2.6**:

**Table-2.6: Details of grants received and expenditure incurred during the period 2008-09 to 2012-13 towards construction of hostels and Ashram schools**

(₹ in crore)

Department	OB	2008-09		2009-10		2010-11		2011-12		2012-13		Total		Closing balance	Percentage of utilisation
		Rec	Exp	Rec	Exp	Rec	Exp	Rec	Exp	Rec	Exp	Rec	Exp		
Social Welfare	49.39	19.30	6.65	17.01	16.04	0.91	16.20	0.59	16.77	-	9.60	87.20	65.26	21.94	75
Tribal Welfare	11.40	3.87	3.20	3.50	3.33	6.50	2.04	7.00	5.43	19.82	5.79	52.09	19.79	32.30	38
Backward Classes	-	-	-	-	-	4.00	-	19.00	0.02	-	2.51	23.00	2.53	20.47	11
<b>Total (A)</b>	<b>60.79</b>	<b>23.17</b>	<b>9.85</b>	<b>20.51</b>	<b>19.37</b>	<b>11.41</b>	<b>18.24</b>	<b>26.59</b>	<b>22.22</b>	<b>19.82</b>	<b>17.9</b>	<b>162.29</b>	<b>87.58</b>		

(Rec=Receipt, Exp=Expenditure), (Source: Information furnished by Society)

It was seen that the Society had not maintained accounts Department-wise though Savings Bank (SB) accounts had been opened for the client Departments separately. Funds received from the client Departments had been initially credited to a main Savings Bank (SB) account and, from this account, surplus funds not required for immediate use had been invested in short-term deposits. As and when moneys were required for payment of bills, funds were transferred from the main SB account to the SB account of the Department concerned and payments made were shown as expenditure against that Department. Thus, while there was accounting of the expenditure Department-wise, funds relating to these Departments had not been parked separately and the interest earned from investment of unspent balances of each client Department was not ascertainable. Further, as and when funds were released by the client Departments to the Society, it was treated as a charge on the consolidated fund and booked as expenditure under the final heads of account. Unspent balances with the Society would, therefore, imply that expenditure of the State Government had remained overstated to that extent.

Huge unspent balances at the end of each year during 2008-13 were due to the following reasons:

#### **2.1.7.1 Release of funds towards the end of the financial year**

For the financial management to be efficient and effective, the flow of funds to the Society from the Government/client Departments is to be regular and evenly spread throughout the year. However, we observed that during 2008-13 the release of funds by the FD to the client Departments had not been regular which resulted in delayed release of funds by the client Departments to the Society. While the percentage of funds received by the Society during the last quarter of each year during 2008-13 ranged from 33 to 100 *per cent*, funds

<sup>3</sup> Residential schools for students belonging to ST community. These schools impart education from I to V standard and are maintained by the Department of TW.



received during the month of March each year during the same period constituted 4 to 96 *per cent*. The details are given in **Appendix-2.5**.

Release of funds towards the fag end of the financial year resulted in unspent balances at the end of each year during 2008-13.

The client Departments had also delayed the release of maintenance grants to the Society. This, in turn, delayed the release of funds by the Society to the residential schools/colleges for pay and allowances of staff and maintenance. Further, the maintenance grants had been released by the client Departments at the end of the quarter rather than at the beginning of the quarter, resulting in delayed payment of salaries to staff of the schools/colleges. There was delay ranging from 2 to 117 days during 2011-12 and 13 to 152 days during 2012-13 in release of maintenance grants to the residential schools and colleges after their receipt from the client Departments. The ED stated (July 2013) that the matter would be placed before the Governing Council (GC) and suitable orders would be obtained for releasing grants towards pay and allowances.

#### **2.1.7.2 Release of funds in excess of requirement**

GoI had been releasing grants every year for the recurring and non-recurring expenses of four EMRS functioning in the State since 1999-2000 on the basis of proposals sent by the Society based on the sanctioned strength of the students instead of the working strength, resulting in non-utilisation of surplus funds received. Out of ₹ 16.53 crore released by GoI during 2008-13, the Society had utilised only ₹ 11.73 crore, leaving an unspent balance of ₹ 4.80 crore (March 2013) due to release of funds in excess of requirement.

#### **2.1.7.3 Excessive release of funds for maintenance of residential schools**

The maintenance of residential schools under the jurisdiction of Zilla Panchayats (ZPs) had been transferred to the jurisdiction of the Society with effect from 1 April 2011. Thereafter, the client Departments released funds to the Society for maintenance on the basis of proposals received. We observed that the Society had been seeking funds for the salaries of staff besides a lump sum amount for maintenance. The client Departments had not checked the accuracy of the proposals of the Society and routinely released funds. As the expenditure on maintenance consisting of provision of food, toilet kits *etc.*, to the students was to be regulated as per the prescribed scale, the client Departments should have checked the requirement projected by the Society in accordance with the scale. However, this had not been done. As a result, the client Departments had released funds in excess of requirement for maintenance of residential schools during 2011-13. Out of ₹ 504.45 crore received by the Society for maintenance, only ₹ 418.06 crore had been spent, leaving an unspent balance of ₹ 86.39 crore with the Society as of March 2013.



**2.1.7.4 Investments with sub-optimal returns**

Between April 2008 and March 2012, the ED of the Society had invested surplus funds ranging from ₹ 21.73 lakh to ₹ 20 crore in short-term fixed deposits for periods ranging from 15 to 181 days. Before investing the surplus funds, the ED had invited quotations from banks offering interest rates for funds intended to be invested. We observed that the maximum interest rates offered by the banks had not been availed of on 30 occasions and investments had been made with banks offering lower rates of interest for which no reasons were on record. This led to a loss of interest of ₹ 39 lakh, which was avoidable.

**2.1.7.5 Non-clearance of outstanding loan despite availability of funds**

Mention was made in Paragraph 3.8.2.1 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2007 regarding non-clearance of the outstanding HUDCO loan of ₹ 47.40 crore out of surplus funds available with the Society. As of April 2008, the Society had an outstanding HUDCO loan of ₹ 41.97 crore to be repaid quarterly up to December 2015. The State Government had been making budget provision every year for clearance of HUDCO loans availed of by the client Departments for construction of residential schools. The FD released funds to the client Departments which repaid the loan installments.

We observed that the Society had been earning interest from investment of surplus funds and crediting the interest so earned to Reserves and Surplus. The Reserves and Surplus rose from ₹ 32.29 crore in April 2008 to ₹ 80.87 crore at the end of March 2012, mainly due to crediting of the surplus interest earnings year after year. However, the FD did not ascertain the availability of funds under Reserves and Surplus before routinely releasing funds for repayment of HUDCO loans. We observed that without disturbing the existing Reserves and Surplus, if the surplus interest earnings of only 2008-13 had been utilised to prepay the outstanding HUDCO loan, it would have been cleared by 2011-12. The ED stated (July 2013) that the outstanding loan could not be cleared with funds meant for specific purposes. The reply was not acceptable as our suggestion was to make use of only the surplus interest earnings for repayment of the loan and not the unspent balances of funds provided by the client Departments. Failure to repay the outstanding loan at least by March 2012 resulted in avoidable liability of interest payments aggregating ₹ 3.79 crore upto December 2015. Of this, the interest liability discharged during 2012-13 amounted to ₹ 1.86 crore.

**2.1.7.6 Delay in submission and approval of accounts**

Section 11 of the Karnataka Societies Registration Act, 1960 requires the Society to hold the annual general body meeting (AGM) within nine months after the expiry of each financial year. We observed that the AGM had been convened during 2007-08, 2008-09 and 2010-11 two to three months after



expiry of the prescribed time limit as the accounts had not been finalised in time.

Further, Section 13 of the Act stipulates that a copy of the audited balance sheet and income and expenditure account along with other details is to be filed with the Registrar within fourteen days of approval in the AGM. We observed that there was delay ranging from 2 to 190 days in filing the audited accounts relating to 2008-12.

The ED stated (July 2013) that delays in convening the AGM and filing the audited accounts before the Registrar would be avoided.

#### **2.1.7.7 Non-submission of utilisation certificates**

The Society was to furnish utilisation certificates (UCs) to the client Departments evidencing spending of funds for the authorised purposes. The status of UCs submitted by the Society to the client Departments in respect of construction and maintenance of residential schools is shown in **Appendix-2.6**. UCs had been pending since 2008-09 and out of ₹ 1,364.97 crore received by the Society during 2008-13, UCs had been submitted to the client Departments only for ₹ 567.31 crore. The information about submission of UCs for earlier periods had not been furnished to Audit by the Society. The client Departments had not taken effective action to watch the timely receipt of UCs, resulting in huge pendency in submission of UCs by the Society.

#### **2.1.7.8 Sanction of advances to staff**

The ED had sanctioned advances to staff engaged on contract basis or through outsourcing for conducting workshops, training, counseling, purchase of stamps *etc.*, The advances outstanding as of March 2013 aggregated ₹ 13.26 lakh. Scrutiny showed that advances had been outstanding against seven contract employees as shown in **Table-2.7**.

**Table-2.7: Details of huge advances outstanding**

Sl.No.	Name of the employee	Amount outstanding as of March 2013 (₹ in lakh)
1.	Shri. Gangappa Gowda. K	1.17
2.	Shri. M. Kashi	1.38
3.	Shri. P. Ningappa	1.82
4.	Shri. S S Bellary	1.55
5.	Shri. T. Subbaiah	1.26
6.	Shri. Siddeswaraiah	1.50
7.	Shri. Amit Laxman Naik	1.00

(Source: Information furnished by the Society)

Sanctioning advances to staff members engaged on contract basis without adequate security was irregular. Further, the Society had terminated (April 2013) services of four employees listed at Sl.No.3, 4, 5, and 6 against whom unadjusted advances aggregating ₹ 6.13 lakh had been outstanding. The Society had not taken action either to obtain accounts for the advances outstanding or to recover the amount from the persons concerned.

### 2.1.8 Contract Management

Out of 210 building works (estimated cost: ₹ 1,004.13 crore) taken up by the Society during 2008-13, only 84 works (40 *per cent*) had been completed at a cost of ₹ 399.58 crore and the remaining 126 works, on which ₹ 233.52 crore had been spent, were in progress as of July 2013 as shown in **Table-2.8**:

**Table-2.8: Details of works taken up, completed and under progress**

(₹ in crore)

Year	No. of building works taken up	Estimated cost	No. of works completed	Expenditure incurred on completed works	No. of works in progress	Expenditure on works in progress
2008-09	0	0	0	0	0	0
2009-10	70	318.05	59	271.24	11	33.04
2010-11	43	204.85	21	110.60	22	73.64
2011-12	53	261.95	4	17.74	49	107.07
2012-13	44	219.88	0	0	44	19.77
<b>Total</b>	<b>210</b>	<b>1,004.73</b>	<b>84</b>	<b>399.58</b>	<b>126</b>	<b>233.52</b>

(Source: Information furnished by the Society)

Irregularities noticed in the execution of works are discussed in the following paragraphs.

#### 2.1.8.1 Tendering

##### • *Non-compliance with the prescribed tendering procedures*

(i) As per Rule 17 of the Karnataka Transparency in Public Procurement (KTPP) Rule, 2000 (Rules), the minimum time to be allowed for submission of tenders in excess of ₹ two crore in value was 60 days. Any reduction of the stipulated time was to be authorised by an authority superior to the Tender Inviting Authority for reasons to be recorded in writing. This was reiterated by the Finance Department (FD) during March 2011.

The Society had invited 217 e-tenders for construction of MDRS/KRCRS during 2008-13 and all these tenders were in excess of ₹ two crore in value. We observed that the minimum time allowed for submission of tenders in all these cases ranged from 14 to 46 days only. The ED stated (June 2013) that short term tenders had been invited in the interest of creating infrastructure in schools which had been functioning in rented buildings and approval of the competent authority had been obtained for reducing the timeframe. The reply is to be viewed in the light of the fact that the provision for reducing the time is an exemption factored in Rule 17 to be resorted to with proper justification. However, the Society had been using the exemption as a rule and the prescribed time had not been allowed even in a single case. Further, having reduced the time for submission of tenders, the Society should have shown the same urgency in finalising the tenders received. However, we observed that the subsequent tendering processes had been badly delayed as discussed in Paragraph 2.1.8.1(iii). Thus, the Society's non-compliance with the KTPP Rules lacked justification.



(ii) The Society had invited tenders under the two cover system for construction of MDRS/KRCRS. As per Government instructions of June 2003, technical evaluation of the tenders after opening the first cover should be completed within 45 days. In exceptional cases, approval of the Secretary to the Government of the Department concerned 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, observed that the time gap between the opening of the technical and financial bids was 49 days in one case, 50 days in five cases, 53 days in three cases, 55 days in one case, 56 days in 19 cases and 67 days in five cases. The ED defended (May 2013) the delay on grounds of lengthy evaluation process and justified the acceptance of tenders in these cases on grounds of reasonableness of the offers received and the urgency to complete the works. The fact, however, remained that the Society had disregarded the provisions of the KTPP Rules.

(iii) As per Rule 22, the evaluation of tenders and award of contract shall be completed, as far as possible, within the period for which the tenders are held valid. The Tender Accepting Authority (TAA) shall seek extension of the validity of tenders from the tenderers for the completion of evaluation, if it is not completed within the validity period of tender and in case the evaluation of tenders and award of contract is not completed within the extended period, all the tenders shall be deemed to have become invalid and fresh tenders may be called for.

We observed that the Society had awarded works after expiry of the validity period of 90 days in 83 out of 210 cases. The delay ranged upto 50 days in 49 cases, from 51 to 100 days in 23 cases, 101 to 200 days in eight cases, 201 to 300 days in one case and 601 to 700 days in two cases. However, no extension of validity period had been obtained in these cases. The ED stated (June 2013) that Principal Secretary, SW Department being the Chairman of the Tender Accepting Committee (TAC), approval for taking extension of tender validity did not arise and no lowest tenderer had rejected the work order in spite of the delay. The reply was not acceptable as Rule 22 mandated the TAA to seek extension of the validity of tenders in case of delay in acceptance and fresh tenders were to be invited where the tenders were not accepted within the extended validity period.

(iv) The criteria included in the tender documents for evaluating the tenders required the Tender Scrutiny Committee (TSC) and the TAC to check the aggregate of the qualifying criteria of the individual contracts and the Available Tender Capacity (ATC), when the tenderer was the lowest for more than one contract. The contract was to be awarded if the tenderer satisfied the aggregate qualification criteria and had ATC more than the value of the tender under consideration.

We, however, observed that where a single contractor had submitted tenders for more than one work, the tenders had been evaluated individually without considering the ATC of the tenderer. The ED stated (June 2013) that the Principal Secretary, SW Department, in the capacity of the Chairman of the



TAA, had ordered not to consider the bidding capacity of the tenderers for the purpose of evaluation. The ED defended the decision on the ground that only a few new contractors had been participating infrequently in the tendering process and that only the regular contractors of the Society had been responding to the tenders notified. It was further stated that if ATC had been considered, most of the works would have had to be retendered causing delay in creating the infrastructure in the residential schools. The reply was not acceptable as the tender criteria should not be altered after invitation of tenders as it would deny a level playing ground to those participating in the tendering process. Further, such a relaxation at the time of evaluation of tenders resulted in awarding a number of works in excess of the capacity of the contractors, leading to slippages and chronic delay in execution of works as discussed below:

- Sri KMV Prasad Rao had been awarded 16 works costing ₹ 75.66 crore on a single day on 20 May 2009. Of these, one work (tendered cost: ₹ 4.83 crore) had not been completed yet (scheduled date of completion: July 2012) and financial progress of only ₹ 2.51 crore had been achieved (July 2013). The other works had witnessed delay in completion ranging from 34 days to 831 days.
- KMV Projects had been awarded (October 2009 to January 2013) 23 works costing ₹ 116.66 crore and 13 works were in progress as of March 2013. In respect of five works which had been completed and handed over, only one work had been completed within the stipulated period and there was delay ranging from 53 days to 465 days in completion of the other four works. Five works which had been scheduled for completion by June 2012, July 2012, January 2013, March 2013 and June 2013 had not been completed so far (July 2013).
- Sri Anil Kumar Malpani had been entrusted with six works (tendered cost: ₹ 27.64 crore) on a single day on 27 May 2009. Of these, five works had been completed and handed over. However, there was delay ranging from 300 to 590 days in completion of these five works. One work (tendered cost: ₹ 4.84 crore) scheduled for completion in November 2011 had remained incomplete (July 2013) and expenditure of ₹ 4.28 crore had been incurred on this work.
- Sri VB Prasad Reddy had been entrusted with five works (tendered cost: ₹ 23.69 crore) on a single day on 29 May 2009. Though these works had been completed and handed over to the Society, there were delays ranging from 226 to 524 days in completion of the same.
- The Society had invited (December 2011) tenders for construction of MDRS at at four different places in the State. Sreedevi Constructions had submitted bids for three works. At the time of submitting the bids, the firm had 13 works on hand (contract value: ₹ 60.84 crore). Without considering this, the TAA accepted (April 2012) the lowest offer of the firm for three works (tendered cost: ₹ 14.08 crore). Though work orders had been issued (August 2012) directing the firm to execute the agreement, the firm failed to respond and the award of the works was cancelled (December 2012)



after forfeiting the EMD of ₹ 22.50 lakh. The Society had not fixed any agency for these works till date (July 2013).

### • *Irregularities noticed in the evaluation of tenders*

We observed that the Project Management Consultants (PMCs) had pointed out several deficiencies in the technical offers, warranting rejection of these bids. However, the TSC irregularly opened the financial offers in these cases, overlooking the deficiencies on the ground that the bidders had earlier been awarded construction of residential schools after verification of their credentials. The details of tenders where financial bids had been irregularly opened are shown in **Appendix-2.7**. In three cases where works had been irregularly awarded to ineligible contractors, two<sup>4</sup> works scheduled for completion in June 2012 and August 2013 were still in progress (August 2013) and financial progress of only 71 and 21 *per cent* had been achieved. The contractor for the other work at Dharmapura failed to commence the work and the Society cancelled (May 2011) the contract and entrusted it to another agency in March 2012 at a cost of ₹ 5.18 crore. The work scheduled for completion in December 2013 was in progress and financial progress of ₹ 1.30 crore had been achieved (August 2013).

Every time tenders are invited, the participating tenderers are to comply with the tender conditions and the tenders are to be evaluated strictly in accordance with the criteria prescribed. Bypassing the criteria and qualifying ineligible tenderers in these cases was irregular.

### • *Eligibility criteria for PMCs relaxed year after year*

During 2008-13, the Society engaged consultants for construction of residential schools and hostels after inviting bids under the two cover system. The consultancy services had been availed of for every work in three parts viz (i) Building design and detailed engineering services, (ii) Tendering services and (iii) Site supervision and quality control including bill certification. Thus, the PMCs played a significant role in creation of infrastructure for residential schools and hostels.

The eligibility criteria prescribed by the Society for bids invited during 2008-13 were as shown in **Appendix-2.8**.

Our scrutiny of the tendering process showed that there was no consistency in prescribing the qualification criteria for hiring consultants. The qualification criteria had been diluted year after year on the ground that there were not many PMCs possessing the eligibility criteria prescribed earlier.

Thus, the Society, instead of prescribing a standard set of eligibility criteria for hiring consultants capable of providing qualitative consultancy services, kept

<sup>4</sup> KRCRS at Madhapura and MDRS at Baidoor



revising the eligibility criteria downward year after year to rope in more PMCs who did not possess the desired eligibility criteria. Further, while inviting bids for consultancy services, the Society had indicated that PMCs already having 20 works (MDRS and KRCRS) on hand were not eligible to participate in the tendering process, implying that the maximum number of works that could be entrusted to a PMC was 20. However, while evaluating the bids, the Society had not verified whether the manpower and other resources shown to be at the disposal of the PMC were sufficient for managing 20 works. The Society had also not determined the number of works that could be entrusted to a PMC on the basis of the details provided in the bids.

Though bids for consultancy services had been invited every year, the entrustment of works to the PMCs had not been confined to works taken up during the year of award of contract. Works taken up during subsequent years had also been indiscriminately entrusted to PMCs appointed during earlier years. The ceiling of 20 works per consultant had also not been adhered to while entrusting works to the PMCs and the capacity of the PMCs to manage more than 20 works had also not been reassessed in such cases. As the consultancy charges differed year after year, the Society should have examined whether entrustment of additional works in excess of the ceiling of 20 was beneficial or not. This was not done by the Society.

Thus, diluting the eligibility criteria year after year for appointing PMCs lacked justification and carried the potential risk of directing the award of consultancy contracts to pre-determined agencies. Entrustment of 361 (60 *per cent*) out of 603 works to PMCs possessing lower eligibility criteria, who had quoted higher consultancy charges ranging from 3.75 *per cent* to 4 *per cent*, also lacked justification.

#### • ***Other irregularities in award of consultancy contracts***

(i) As per the standard contract form prescribed by the Government, a technical bid should secure the minimum technical score of 75 points to be eligible for opening of the financial bid. During 2009-10, Niketan Consultants secured a technical score of only 70 points and its bid was, therefore, not substantially responsive. Its financial bid, however, had been irregularly opened under the orders (August 2009) of the Chairman of the Society and the firm had been awarded (September 2009) the consultancy contract. Subsequently, 37 consultancies for works costing ₹ 135.60 crore had been awarded to Niketan Consultants.

(ii) During 2010-11, though Gherzi Eastern Limited, Chennai had participated in the tendering process, its tender had been rejected (September 2010), as it had more than 20 works on hand. Subsequently during the same year, the company submitted its bid in response to another tender invitation in the name of Gherzi Eastern Limited, Bombay and was awarded (January 2011) the consultancy contract. We observed that both the PMCs were one and the same as the certificate of incorporation enclosed with the bid documents on both the occasions was the same. The company had evidently



given a different address to create the impression of being a different entity to bag works in excess of the ceiling of 20 works prescribed by the Society. We further observed that all the 16 works entrusted to the company were subsequently withdrawn (June 2012) by the Society on grounds of poor performance and entrusted to Aminbhavi & Hegde.

### • *Negotiations with the tenderers*

The guidelines issued (December 2002) by the Government permit negotiations with the tenderers only in exceptional circumstances such as lack of competition (less than three), single bid, suspected collusion, or where the lowest evaluated responsive bid is substantially above the estimated cost. Even in these cases, the guidelines advise rejection of tenders as the first choice.

The Central Vigilance Commission (CVC) guidelines also prohibit negotiations with the lowest tenderer.

We observed that in respect of 60 out of 217 tenders, the Society had routinely conducted negotiations with the lowest tenderers. The ED stated (June 2013) that the TAC was well aware of the Government guidelines of December 2002 but nevertheless resorted to negotiations to offer fair rates to the tenderers and where the fair rates offered by the TAC had not been accepted, the lowest tenderer had been awarded the work at his quoted rates. The reply was not acceptable as the Society could not override the directives of the Government. The exceptional circumstances necessitating negotiations in these cases were also not on record.

Further, we observed in two out of 60 cases (SC MDRS and Minority MDRS at Devarakotta village) that the lowest tenderers had refused to accept the fair rates offered by the TAC during negotiations. The TAC awarded (January 2010) the works to the second lowest tenderers at the rates determined by the TAC. The ED stated (June 2013) that works had been awarded to the second lowest tenderers in bona-fide interest and there was no burden on the Society. The reply was not acceptable as the Society's action negated the cardinal principles of tendering.

### • *Functioning of the TSC and TAC*

The KTPP Act mandates the constitution of a TAC by the procurement entity and a TSC by the Tender Accepting Authority for acceptance and scrutiny of tenders respectively. Accordingly, the GC of the Society constituted the TAC and TSC in July 2006. Scrutiny of the decisions taken by these committees during 2008-13 showed that members nominated to these committees had not attended the meetings when major decisions had been taken as shown in **Table-2.9:**

**Table-2.9: Meetings of TAC and TSC not attended by members**

TAC (No of sampled meetings – 26)		TSC (No of sampled meetings -31)	
Members of TAC	No of meetings attended	Members of TSC	No of meetings attended
Principal Secretary, SW Department & Vice-chairman of the Society	26	ED, Chairman	31
Commissioner, SW	13 3 attended by Joint Director 4 attended by Deputy Director	Nominee of Commissioner, SW of the rank of Joint Director	1 attended by Joint Director 8 attended by Deputy Director
Commissioner, BC	6 1 attended by Director 3 attended by Joint Director 1 attended by Assistant Executive Engineer	Nominee of Chief Engineer (Communications & Buildings, Bangalore)	30 attended by Deputy Chief Engineer
Director, TW	21 1 attended by Deputy Director	Nominee of Commissioner of Public Instructions (only for Education Department schools)	7
Director, MW	3 1 attended by Joint Director 1 attended by Assistant Director	Managing Director of Project Management Consultants	29
ED	25 1 attended by Superintending Engineer		

Poor participation of the nominated members and participation of junior officers in the meetings of these Committees reflected that the opportunity of eliciting diversified views of the nominated members had been lost and collective responsibility for taking decisions on scrutiny and acceptance of tenders stood diffused.

• ***Non-recovery of additional performance security for unbalanced tenders***

The Government revised the standard tender documents in October 2008 and made it mandatory for all procurements. The revised tender documents require all the Government Departments to recover additional performance security from the successful tenderer where the tender is seriously unbalanced to protect against financial loss in the event of deficiencies in performance of contract. However, the Society had adopted the revised tender documents only from July 2011. Consequently, the Society had not recovered any additional performance security in respect of 127 works awarded for ₹ 592.29 crore between October 2008 and July 2011. Even after adopting the revised tender documents from July 2011, the Society had not identified the unbalanced tenders out of 83 tenders accepted for ₹ 416.52 crore and recovered additional performance security. To a query as to why no additional performance security had been recovered in respect of 29 works costing ₹ 133.37 crore for which the tenderers had quoted a tender abatement of more than five *per cent*, the Society accepted (July 2013) that it had not been recovered by oversight.

• ***Variations in Bill of Quantities***

We observed that the GC had decided (December 2010) to construct an additional class room in all the schools for being used as Satellite Education



Centres (SECs) in future. Accordingly, construction of SECs (cost: ₹ 3.65 crore) in 52 schools under construction had been entrusted to contractors as extra item though the Society had no plan for starting satellite education. The ED stated (June 2013) that the additional infrastructure created was an asset as the construction cost had been increasing each day. The reply was not acceptable as not all the existing residential schools having own buildings had an additional classroom for satellite education. Providing the additional classroom only in a few schools without any formal plan for satellite education, therefore, lacked justification.

We further observed that in order to keep the cost within reasonable limits, the Society deleted items of work such as solar water heating system, solar street light, rain water harvesting and recharging of bore-wells from the BOQ of MDRS at Punyahalli, Peresandra, Yerrangahalli, Hulikatte and Chikkanahalli KRCRS at Adavibhavi thus depriving the residential schools of the intended facilities which were environment friendly.

In addition to these additions and deletions from the BOQ, framing the estimates before ensuring availability of land [as discussed in paragraph 2.1.8.2.1(i)] also resulted in variations in BOQ, leading to excesses and savings. Our scrutiny of sampled works showed that while the excesses ranged from 17 to 36 *per cent*, the savings were in the range of 5 to 12 *per cent*. The net excess was in the range of 10 to 25 *per cent*. The changes made in BOQ due to various reasons delayed the completion of construction of the residential schools. The time allowed for completion of MDRS/KRCRS ranged from 15 to 18 months. However, we observed that there were delays in completion ranging upto 6 months in 26 works, one year in 23 works, two years in 24 works and more than two years in five works. Only in respect of six works, the works had been completed within the stipulated period.

### • ***Excess payment***

In the case of ST MDRS at Ankanahalli, Ramanagara taluk awarded to a contractor in February 2011 for ₹ 4.68 crore, the Society had irregularly paid a rate of ₹ 580 per cum against the agreed rate of ₹ 386.54 per cum for the additional quantity of 7500 cum of hard rock excavated, resulting in an excess payment of ₹ 14.51 lakh. The Society also allowed price adjustment on the excess payment of ₹ 14.51 lakh, resulting in a further excess payment of ₹ 1.20 lakh. The total excess payment recoverable from the contractor aggregated ₹ 15.71 lakh.

### • ***Non-renewal of bank guarantees***

As per the tender condition, each successful tenderer was to furnish a security deposit in cash or Banker's cheque or Demand draft, or Pay Order or a Bank Guarantee (BG) for an amount equivalent to five *per cent* of the contract price. Where a BG was submitted, it was to remain valid until 30 days from the date of expiry of the defects liability period.



We observed that the BGs furnished by the contractors were not in the prescribed format. The Society also did not have any mechanism to monitor the periodical renewal of the BGs. In the case of 22 ongoing works scheduled for completion between July 2011 and May 2014, the validity of the BGs for ₹ 4.74 crore had expired between May 2011 and May 2013 and had not been renewed (July 2013). Non-renewal of the BGs in these cases exposed the Society to the risk of shouldering the additional financial burden, if any, arising from deficiencies in performance of the contractors.

#### • ***Irregular payment of price adjustment for extra items***

In the case of 10 residential schools<sup>5</sup> taken up for construction through contractors between October 2009 and July 2011, the contract agreement provided for price adjustment on the value of work done every quarter according to the formula prescribed therein. The value of work to be considered for price adjustment should not include works executed under variations for which price adjustment, if any, was to be worked out separately based on terms mutually agreed.

We observed that extra items had been entrusted to the contractors of these works for which current market rates had been paid. As these extra items had been executed under variations and had been paid at current market rates, the value of these extra items was not to be considered for price adjustment. However, the Society had irregularly considered the value of extra items also for price adjustment, resulting in an excess payment of ₹ 30.61 lakh to the contractors. The Society agreed (July 2013) to recover the excess payment after verification.

#### ***2.1.8.2 Infrastructure creation***

##### • ***Works taken up without ensuring availability of land***

The Karnataka Public Works Departmental Code stipulates that no work should be taken up for execution unless land required for the work is in possession of the Department concerned. The Secretary, SW also reiterated (July 2009) the codal provision and instructed that the land for residential schools should be in possession of the client Departments before commencement of construction activities.

However, we observed that there were delays ranging from 16 to 520 days in handing over the sites to the contractors appointed for construction of 163 out of 210 residential schools because the land required was not in the possession of the Society. The ED stated (May 2013) that to gain time the PMCs prepared the estimates for construction of schools by taking the approximate dimension of the boundaries of the land and action for handing over the site was taken after issuing the work order. It was further stated that as most of the schools had been established on Government land, action to fix the boundaries of the land was taken only at the time of handing over the site to the

<sup>5</sup> MDRS, Ankanahalli; KRCRS, Adavibhavi; MDRS, Peresandra; MDRS, Punyahalli; MDRS, Chikkanahalli; MDRS, Chittanahalli; KRCRS, Hebsur; MDRS, Saligrama; MDRS, Bherya and MDRS, Yerrangalli



contractors and it was only at that time, encroachment of land had come to light, resulting in delayed handing over of sites after eviction of encroachers and fixing of boundary stones. The reply reflected the Society's disregard for codal provisions exposing the Society to the risk of time overruns and cost overruns in construction of residential schools.

Our scrutiny of sampled works showed that construction of seven schools for which work orders had been issued between June 2007 and January 2013 had not commenced even as of July 2013 mainly due to problems connected with land. The details are given in **Appendix-2.9**.

Further, GoI sanctioned (July 2010) six EMRS for the State and released ₹ 34.50 crore during 2010-13. The TW Department released ₹ 24 crore and ₹ 10.50 crore to the Society during January 2011 and March 2013. However, the Society had spent only ₹ 6.06 crore so far (March 2013) due to (i) delay in identification of land and obtaining approval of the Government for the release of land (ii) delay in handing over the land to contractors after survey by the Revenue Department *etc.*

Delay in completion of residential schools due to delay in identifying or acquiring land had an adverse impact on the children. The seven residential schools had been running in rented buildings<sup>6</sup> which lacked the basic facilities.

#### • ***Residential schools without staff quarters***

Against the prototype design of residential schools consisting, *inter alia*, of one academic block, two dormitory blocks, one kitchen block and staff quarters, we found during our inspection (May 2013) that construction of staff quarters had not been taken up in MDRS at Vagga, Puttur and Panja as these had not been included in the Bill of Quantities (BOQ). Only one dormitory block had been constructed in MDRS, Panja instead of two. We further observed from the information furnished by the Society that the BOQ for 92 residential schools constructed in the State did not include staff quarters. The ED justified (June 2013) the deletion of the staff quarters from BOQ on the ground that there was an immediate need for school buildings and dormitories and construction of the remaining blocks had not been taken up in the interest of constructing more number of schools with minimum facilities with available grants. It was further stated that the teaching staff would always make their own arrangements for staying and construction of staff quarters would be taken up in the second phase. The reason adduced for non-construction of staff quarters was not acceptable as staff quarters were as important as the other components of the residential schools which were located in outlying places and the teaching staff could not be left to fend for themselves.

#### • ***Non-utilisation of funds released for providing infrastructural facilities***

With a view to providing facilities like televisions, cots, beds, plates, dining tables, chairs, computer and peripherals *etc.*, to residential schools, the Society

<sup>6</sup> Monthly rent of ₹ 2.07 lakh



had released ₹ 27.16 crore between January and November 2010 to the Deputy Commissioners (DCs) of districts who were to purchase and supply these items to 298 schools. However, as per the information furnished by the Society, only ₹ 23.69 crore had been spent even as of May 2013, leaving the unspent balance of ₹ 3.47 crore with 27 DCs as shown in **Appendix-2.10**. The districts which witnessed huge shortfall in spending were: Bangalore Urban - 80 *per cent*, Kolar – 60 *per cent*, Hassan – 50 *per cent*, Bijapur -36 *per cent*, and Bidar – 51 *per cent*. The shortfall in spending reflected that the requisite infrastructural facilities had not been created in the residential schools of these districts as commented in Paragraph 2.1.6.2. Further, except DCs of Mandya and Chikkaballapura districts, utilisation certificates had not been submitted by the DCs to the Society.

• ***Purchase of private land for construction of residential schools and colleges***

(i) The Government had accorded (December 2009 and August 2011) approval for construction of 22 KRCRS and 17 MDR PU Colleges within the premises of the existing MDRS residential schools where sufficient land was available as reported (October 2009 and July 2011) by the ED. As per the Government order (August 2011), PU Residential College, Koppal, was to be constructed in the premises of the existing MDRS, Yelburga for which 17 acres of land had been allotted. The construction of the PU college at the designated place had also been entrusted (July 2012) to a company at a cost of ₹ 5.12 crore. In March 2012, the Society received a proposal from the District Social Welfare Officer, Koppal for purchase of land for construction of KRCRS at Kavalur and for construction of the PU College at Hiresindagi instead of at Koppal. The Society sent (May 2012) the proposal to the Principal Secretary, SW Department for purchase of land at both the places or purchase of land only at Hiresindagi closer to Koppal for constructing both KRCRS and the PU College sanctioned for Koppal on the same land. The Principal Secretary recommended (June 2012) to the Minister for SW for purchase of land at Hiresindagi. The Minister approved (June 2012) the proposal and directed that both KRCRS and PU College be constructed on the same land. Accordingly, the Society purchased land measuring 11.30 acres (July 2012) at Hiresindagi at a cost of ₹ 67.80 lakh.

We further observed that the Society subsequently purchased (March 2013) land measuring 11.36 acres at Kavalur village at a cost of ₹ 71.40 lakh for construction of KRCRS on the basis of the representation of the Member of Legislative Assembly (MLA), Koppal that KRCRS had been sanctioned for Kavalur village and there was need for establishment of the school in the same village where private land was available. The Principal Secretary while forwarding (December 2012) the proposal to the Minister of SW, had reiterated that two institutions could be established at a single place, referring to the earlier orders of the Minister for purchase of land at Hiresindagi for construction of both KRCRS and PU College. However, the Minister



recommended (January 2013) purchase of land at Kavalur village for construction of KRCRS. Thus, though sufficient land for constructing both KRCRS and PU College at Hiresindagi had been purchased already, land for setting up KRCRS was purchased again, resulting in additional expenditure of ₹ 71.40 lakh, which was avoidable.

(ii) The Government had sanctioned (May 2009) a KRCRS for Yelburga taluk and the school started functioning in rented premises. Government land measuring 10 acres had been identified in Survey no. 7 of Chikkoppa village and the proposals had been forwarded (April 2010) to the Divisional Commissioner, Gulbarga for allotment. In the meantime, the MLA of the Yelburga constituency represented (April 2010) to the Chief Minister that he had identified private land at a distance of 1 km from Yelburga town and that the DC, Koppal and District Social Welfare Officer, Koppal had identified vacant Government land of 10 acres belonging to the Sericulture Department at a distance of 5-6 km from Yelburga without considering his proposal. The Secretary to Chief Minister and Joint Secretary to Chief Minister requested (April 2010) DC, Koppal to look into the matter. In the meeting convened (April 2010) by the DC, it was decided to purchase private land with the consent of the land owners and accordingly, the Society purchased 17.31 acres of private land at a cost of ₹ 48.19 lakh. The expenditure was avoidable as suitable Government land for the KRCRS was available.

### **2.1.9 Manpower management**

The number of posts sanctioned by the Government for the residential schools from time to time, men-in-position and vacancies as of June 2013 are shown in **Appendix-2.11(a)**. Our findings are discussed in the following paragraphs.

#### **2.1.9.1 Cadre and Recruitment Rules of the Society**

For the first time, the Society framed the Cadre and Recruitment (C&R) Rules for recruitment of teaching and non-teaching staff for the residential schools/colleges and also the staff for the Society in May 2010. The Government approved (January 2011) the C&R Rules of the Society which were amended during March 2011.

We observed that though the Government had accorded (July 2009) sanction for creation of 551 teaching and non-teaching staff in 29 MDRPUC, these colleges had been left out of the C&R Rules. It was only during September 2011 that the Society sought the approval of the Government for including the staff required for PU residential colleges in the C&R Rules. The Government approved necessary amendment to the C&R Rules in January 2012. However, as of June 2013, permanent staff had not been recruited for the MDRPUC which had been functioning with 195 teaching and 216 non-teaching staff employed on contract basis.



### ***2.1.9.2 Irregular absorption of principals and teachers appointed on contract basis***

The Government had notified (May 2011) the Karnataka Residential Educational Institutions Society (Absorption of persons working as principal and teachers in Morarji Desai and Kitturu Rani Channamma Residential Schools on contract basis into establishment of Karnataka Residential Educational Institutions Society) (Special) Regulations, 2011 (Regulations). In May 2011, the Government constituted a Committee for recommending the eligible principals and teachers working on contract basis for absorption in accordance with the Regulations. The Committee submitted (November 2011) its report to the Principal Secretary, SW.

One of the conditions for absorption prescribed by the Regulations was that principals and teachers should have been appointed by the Society prior to the academic year 2004-05 and should have worked on contract basis after the initial appointment till the date of commencement of the Regulations. The Committee had recommended in its report that special order of the Government for absorbing 8 principals and 109 teachers was to be obtained as they had been appointed after 1<sup>st</sup> June 2004 (during the academic year 2004-05). However, the GC in its emergency meeting (November 2011) decided that there was no need for special order of the Government as the Regulations clearly specified that persons who had been appointed till the end of academic year 2004-05 were eligible for absorption. Accordingly, these 8 principals and 109 teachers working on contract basis had been absorbed with effect from 1 October 2011.

We also observed that the Regulations had clearly stipulated that only those who had been appointed on contract basis prior to academic year 2004-05 were eligible for absorption and the Society's decision was in contravention of the Regulations as no special order of the Government was obtained. Thus, the Society's decision resulted in irregular absorption of 8 principals and 109 teachers. The pay and allowances disbursed to these ineligible teaching staff for the period from October 2011 to 31st March 2013 aggregated ₹ 3.73 crore as against ₹ 1.39 crore admissible to them as contract employees.

### ***2.1.9.3 Recruitment of teaching staff in excess of the reserved posts***

The Government sanctioned (April 2009 to November 2011) 6366 teaching and non-teaching posts for MDRS and KRCS. After approval of the C&R Rules in January 2011, the Society entrusted (March 2011) the recruitment work to Centralised Admission Cell (CAC) of the Education Department at an estimated cost of ₹ 3.68 crore. The MW Department did not agree for recruitment of staff through the Society and decided (January 2011) to recruit 602 teaching and non-teaching staff for minority residential schools on its own. However, no recruitment had been made and all the minority residential schools had been functioning with outsourced staff (June 2013).



The Society had notified (April 2011 and November 2011) 5325 posts in 460 residential schools for recruitment. The Society conducted (July 2011) a combined competitive examination for appointment to these posts and notified (May 2012) the final list of 4520 successful candidates. Against 5325 posts notified, only 4520 posts had been filled, leaving 805 vacant<sup>7</sup> posts.

The Society had notified the posts in accordance with the reservation policy<sup>8</sup> of the State Government. However, recruitments had been in excess of the prescribed percentages under the following categories of staff.

OBC Category I (Kannada teacher-1, Science teacher-3),  
ST Category (Principal-2, Physical Education teachers-2), and  
OBC Category 3B (English teacher-1, Social Science teacher-1)

While recruiting staff against posts reserved for various categories on the basis of results of the combined competitive examination, the Society had not taken into account the principals and teachers who had been eligible for absorption and the category which they belonged to. This facilitated excess recruitment of staff under the above categories.

Out of 460 posts of music teachers notified for recruitment, 230 posts had been earmarked for “General Merit”. Of these 230 posts, 46 had been reserved for “General Merit-Others”. We observed that only 246 music teachers had been recruited by the Society against 460 posts. However, all these 246 teachers had been irregularly recruited against the quota of 46 posts reserved for “General Merit-Others”, resulting in excess recruitment of 200 music teachers under this category. We further observed that this had been done in spite of availability of sufficient number of posts under the respective categories to which the recruited teachers belonged. The categories to which the recruited music teachers actually belonged and the quota of posts reserved for them out of 460 posts notified for recruitment were as shown in **Table-2.10**:

**Table-2.10: Recruited music teachers’ categories and the seats reserved for these categories**

Category to which the recruited music teachers actually belonged	Quota of posts reserved for the category out of 460 posts notified for recruitment	Number of music teachers belonging to the category but recruited against the quota reserved for “General Merit-Others”
SC	70	15
ST	14	4
<b>OBC</b>		
Category 1	19	6
Category 2A	69	66
Category 2B	18	3
Category 3A	18	7
Category 3B	22	84
General Merit	230	61
<b>Total</b>	<b>460</b>	<b>246</b>

(Source: Information provided by the Society)

<sup>7</sup> Blind and low vision-74, Craft teacher-459, Music teachers-214 and 58 posts for different subjects under different categories.

<sup>8</sup> (SC-15 per cent, ST-3 per cent, OBC Category I-4 per cent, Category II A-15 per cent, Category II B-4 per cent, Category III A-4 per cent and Category III B-5 per cent)



Further, the age limit for appointment of music teachers under the category “General Merit-Others” was 40 years. However, the age of 17 out of 246 music teachers appointed under General Merit-Others was above 40 years.

#### 2.1.9.4 Irregularities in appointments

According to the conditions of recruitment, information furnished by the applicant in original application only was to be considered for selection and there was no provision for change of information at any later stage. We compared the list of staff presently working in various residential schools with the final merit list of candidates selected by CAC for recruitment. We found that the five candidates listed in **Table-2.11** whose names had not appeared in the final merit list had nevertheless been appointed subsequently by the Society.

**Table-2.11: Details of candidates not appeared in the final merit list**

Sl. No	Registration No	Name	Subject	Reported date
1	228079	Rizwana Begum S	Principal	24 November 2012
2	235883	Nagesha KM	Principal	15 June 2012
3	56072	Chidananda Devaramane	Music	5 December 2012
4	271640	Govindaraj Venkanagoudra	FDA	6 February 2013
5	126890	Roopashree S	Kannada	24 December 2012

(Source: Information furnished by the Society)

The qualification prescribed for the post of principal was a Master’s degree in any one of the subjects viz., Kannada, English, Hindi, Physics, Chemistry, Mathematics *etc.*, The persons listed at Sl. No 1 and 2 had a Master’s degree in Organic Chemistry and Analytical Chemistry respectively and failed to meet the qualification prescribed. The CAC did not, therefore, consider them for the post of Principal and did not include their names in the final list submitted to the Society. However, these two had been appointed as principals by the Society. We observed that no formal orders of any authority had been obtained for relaxing the eligibility condition.

In the case of Sri Chidananda Devaramane, we observed that his name had not been included either in the provisional or the final list of CAC. He subsequently requested for reconsideration of his case on the ground that he had inadvertently failed to indicate in the Optical Mark Recognition (OMR) sheet the post he had applied for and the marks obtained in the SSLC examination. The Society considered his objections and recruited (November 2012) him as a music teacher. Similarly, in the case of Sri Govindaraj Venkanagoudar, we observed that his name had not been included in the provisional and final lists as he had failed to mention his qualification and the marks obtained. The Society nevertheless considered his representation and appointed (January 2013) him as FDA. The Society’s action was gratuitous as it was in contravention of the condition of recruitment.



In case of Smt. Roopashree S, we observed that she had applied for the post of Kannada teacher under “ex-serviceman dependent quota” and submitted her husband’s identify card as proof. However, the CAC had not considered her candidature as she had not submitted the Ex-serviceman Dependent certificate indicating the date of death or disablement of her husband. However, she subsequently produced a certificate dated 16<sup>th</sup> June 2012 indicating the physical disability of her husband and another certificate from the Department of Sainik Welfare and Resettlement dated 18<sup>th</sup> June 2012. The Society considered her case and appointed (December 2012) her as Kannada teacher. This was irregular as (i) an ineligible candidate was given favourable consideration after the completion of selection process, (ii) the Society considered certificates prepared after completing the selection process, (iii) certificate of physical disability had not been signed by the District Surgeon and had also not been countersigned by the Medical Superintendent of the hospital and (iv) ex-serviceman dependant certificate had not been submitted, though prescribed.

We further observed that the five candidates listed in **Table-2.12** whose names had appeared in the final merit had been irregularly appointed under ex-serviceman dependent quota against the posts mentioned against their names as they did not submit requisite certificate.

**Table-2.12: Candidates irregularly appointed under ex-serviceman dependent quota**

Sl. No	Registration No.	Name	Date of birth	Selected category	Reported date	Subject
1	166268	Mamata Dodamani	30 July 1987	General Merit-Ex-serviceman	05 June 12	Hindi
2	199140	Nazima Parveen	13 July 1984	General Merit- Others - Ex-serviceman	04 June 2012	Mathematics
3	65890	Geeta C R	15 May 1986	General Merit-Ex-serviceman	06 June 2012	Staff nurse
4	51425	Geetha G	29 December 1988	General Merit-Ex-serviceman	11 June 2012	Staff nurse
5	241436	Channamma Mathapati	23 June 1985	General Merit-Ex-serviceman	13 June 2012	Warden

(Source: Information furnished by the Society)

We also found that except for Ms.Nazima Parveen (Mathematics teacher), other candidates had not qualified for appointment under the quota of posts reserved for the categories to which they actually belonged, as their scores were lower than the cut-off score prescribed for selection. Thus, the appointment of these five persons under ex-serviceman dependant category without valid certificates was irregular.

### **2.1.9.5 Posting of more than one subject teacher to residential schools**

The Society issued (April 2011) recruitment notification inviting applications for filling the posts of teaching and non-teaching staff by conducting a competitive examination. The recruitment was to be made as per the final list



to be prepared by considering 70 *per cent* of marks obtained in the competitive examination, 20 *per cent* of marks obtained in the prescribed academic qualification and 10 *per cent* of the marks obtained in B.Ed degree examination<sup>9</sup>. Further, the C&R Rules and the recruitment notification provided that the teachers and principals appointed by the Society on contract basis who appeared for the competitive examination were to be given a service weightage of 5 *per cent* for every completed year of service, subject to a maximum of 40 *per cent*, while determining the qualifying score.

However, the Regulations providing for absorption of teachers appointed by the Society on contract basis prior to academic year 2004-05 and still continuing in service came into effect from 7 May 2011. Accordingly, 56 principals and 380 teachers had been absorbed with effect 1 October 2011. Thus, the Regulations removed these teaching staff from the purview of the competitive examination and paved the way for their lateral recruitment.

During the period when the administration of the residential schools vested with the ZPs, teaching and non-teaching staff had been appointed by the ZPs temporarily on yearly basis. These staff members, who had not been brought under the purview of the C&R Rules or the Regulations, filed a writ petition before the High Court, challenging the recruitment process. The High Court granted (June 2011) an interim order directing continuance of the petitioners in their present posts till the disposal of the writ petition. The High Court, while disposing of the writ petition in July 2012, held that principals and teachers appointed on or after 2004-05 by the ZPs were also entitled to the benefit of service weightage specified in the recruitment notification. A single judge who disposed of the writ petition directed the Society to redo the process of selection by extending the benefit of service weightage to the petitioners and similarly placed candidates. It was further directed that the present placement of the petitioners and others who were continuing in service should not be disturbed.

The Society filed a writ petition in the High Court challenging the order of the single judge. A bench of the High Court which disposed of (March 2013) the writ petition upheld the order of the single judge and directed the Society to try to accommodate the respondents, if they were selected after giving the service weightage, without disturbing the candidates who had already been selected and appointed subject to the results of the writ petition. It was further directed that in the event of discontinuing any of the candidates already appointed or withdrawing their appointments, it should be done on “last come first go” principle.

<sup>9</sup> For drawing and music teachers and staff nurse, the final list was to be prepared only on the basis of marks obtained in the prescribed academic qualification. For computer teachers, the final list was to be prepared on the basis of 70 *per cent* of marks obtained in the competitive examination and 30 *per cent* of marks obtained in the prescribed academic qualification.



We observed that against 4,621 posts of teaching staff notified (April 2011) for recruitment, only 3,282 had been working as of June 2013 and there were huge vacancies to accommodate the other teaching staff appointed during the period April 2005 to March 2011 by the ZPs on temporary yearly basis. However, the Society had not taken any action as per the High Court's directions (July 2013). Further, though the interim order of the High Court was in force when counselling for posting of directly recruited candidates against vacancies had been taken up by the Society from 31 May 2012 to 6 June 2012, the Society ignored the interim order and posted teachers to those places where the temporary teachers appointed by ZPs had been working already. As a consequence, two teachers for the same subject had been working against one sanctioned post in 446 cases during the period 1 July 2012 to 31 March 2013, leading to wasteful expenditure of ₹ 7.73 crore. The Society had not taken any action to redistribute the staff after duly considering the judgment of the High Court.

Thus, while on the one hand 15 to 107 residential schools did not have teachers for a variety of subjects, on the other 10 to 51 schools had two to three excess teachers for the same subject (details vide **Appendix-2.11(b)**).

We also observed that computer teachers had been posted to 173 schools which did not have computer labs while no computer teachers have been posted to 27 schools which had computer labs.

Similarly, Physical Education (PE) teachers had been posted to 185 schools which did not have a playground while nine schools which had playgrounds functioned without PE teachers.

#### **2.1.9.6 Appointment of retired pensioners**

The Society had been appointing retired officers/officials on contract basis. As of June 2013, there were 18 retired officers/officials working in the Society on contract basis. The payment of salary on re-appointment of retired Government officers/officials is governed by Rule 313 of Karnataka Civil Services Rules which prescribes that pay on re-employment plus pension (including pension equivalent of death-cum-retirement gratuity or gratuity in lieu of pension) should not exceed the last pay drawn. However, we observed that the salary paid to two retired officers/officials plus pension had not been restricted to the last pay drawn, resulting in excess of payment of ₹ 8.28 lakh for the period January 2009 to March 2013. The details of last pay and pension drawn by others were not on record.

#### **2.1.10 Performance of residential schools and colleges**

(i) The pass percentage of students of residential schools in SSLC examination was encouraging as it steadily increased from 89 *per cent* in



2007-08 to 95 *per cent* in 2012-13. Also, the percentage of students securing distinction increased from 4 to 8.

(ii) The Government approved (July 2009) establishment of 29 PU residential colleges, one in each district of the State to help the students coming out of MDRS/KRCRS to continue their education. These colleges were to offer two combinations to the students viz., Physics, Chemistry, Mathematics and Biology (PCMB) and Physics, Chemistry, Mathematics and Computers (PCMC) and there should be a minimum of 10 and maximum of 40 students in each combination. The admission of students to these colleges was to be done through an entrance examination to be conducted at the district level for SSLC passed students of MDRS/KRCRS. The student strength prescribed was 160 students (80 for I year and 80 for II year).

However, the actual students' strength varied from 8 *per cent* in 2009-10 to 56 *per cent* during 2012-13 as shown in **Table-2.13:**

**Table-2.13: Students' strength during 2009-13**

	2009-10			2010-11			2011-12			2012-13		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
No. of colleges	10			10 + 19			29			29		
Sanctioned Strength	400	400	800	1560	1560	3120	2320	2320	4640	2320	2320	4640
Actual Enrollment	47	16	63	755	641	1396	1296	1150	2446	1330	1286	2616
Vacant Seats	353	384	737	805	919	1724	1024	1170	2194	990	1034	2024
Percentage of vacant Seats	88	96	92	52	59	55	44	50	47	43	45	44

(Source: Information furnished by the Society)

Though the proportion of vacant seats had come down from 92 *per cent* in 2009-10 to 44 *per cent* during 2012-13, substantial number of seats continued to remain vacant. We further observed that there were no admissions in five colleges for the I year course and in six colleges for the II year course under PCMC combination for the academic year 2012-13. In respect of the residential college at Kolar, only three students had been enrolled under PCMB combination for the I year course. The pass percentage of students of PUC-II was also poor at 28, 43 and 54 during 2010-11, 2011-12 and 2012-13 respectively.

We observed that the poor performance of the students was related to lack of quality education caused by lack of basic infrastructural facilities and absence of regular teaching staff in these colleges. All the 29 colleges had been running in rented buildings without proper infrastructure and facilities. There were no separate laboratories for physics, chemistry, biology and computer science in nine jointly inspected colleges which also faced acute shortage of chemicals and lab equipment. Establishment of these colleges without proper infrastructure and sufficient number of qualified regular teaching staff carried the potential threat of affecting the very foundation of the scheme of educating the children of the economically and socially weaker sections of the Society.



### 2.1.11 Supply of uniform and shoes for the year 2012-13

The Government had prescribed (July 2010) the ceiling of ₹ 800 per student per year for supply of 2 sets of uniform and shoes, socks, belt, tie and badge for the students studying in MDRS/KRCRS and directed that the cloth required for uniforms be purchased from the Karnataka Handloom Development Corporation (KHDC). However, the GC fixed (August 2010) the ceiling at ₹ 1,000 per student per year for students of PU residential colleges without the approval of the Government.

We observed that the supply of uniforms had been delayed during the academic year 2012-13. The Society initiated the process of procurement of uniform cloth in March 2012. We observed during joint inspection that while uniforms had been supplied only during December 2012, shoes/socks/tie/belt/badges were supplied during January to March 2013, at the end of the academic year.

As of May 2013, the Society had spent ₹ 12.83 crore towards purchase of cloth, stitching charges and purchase of shoes/socks/tie/belt and badges for 1,05,778 students of residential schools and colleges for the academic year 2012-13. The expenditure per student worked out to ₹ 1,213 which was in excess of even the enhanced ceiling of ₹ 1,000 per student fixed by the GC for PU residential colleges. The excess expenditure would be ₹ 4.37 crore on the basis of the ceiling of ₹ 800 per student fixed by the Government for MDRS/KRCRS. Incurring excess expenditure of ₹ 4.37 crore in excess of the scale prescribed by the Government was irregular.

### 2.1.12 Safety and security of girl students

The Government established (May 2009) 114 KRCRS exclusively for the girl students belonging to the SC/ST/BC. The other residential schools and colleges are co-educational institutions offering equal number of seats for both boys and girls. The best practices followed by educational institutions like the Jawahar Navodaya Vidyalayas to ensure the safety and security of the girl students studying in the residential schools *inter alia*, require that girl students should be under the charge of Lady House Mistresses only.

We observed that only 50 *per cent* of the posts of wardens in residential schools had been filled up as of March 2013. Though there were 114 KRCRS exclusively for the girl students and 428 co-educational residential schools under the jurisdiction of the Society, no formal directions or guidelines had been issued by the Society for ensuring the safety of the girl student. Further, only 77 out of 114 KRCRS had wardens as of March 2013. Of these 77 wardens, only 33 (43 *per cent*) were females and the remaining were males. When the best practices require the girl students to be under the charge of a Lady Warden, posting male wardens to KRCRS was fraught with risks for the safety and security of the girl student. We also noticed during joint inspection



(January to March 2013) that many schools did not have bathroom and toilet facilities and the girl students studying in these schools were constrained to defecate in the open, endangering the safety of these children. While 54 residential schools did not have separate toilets for boys and girls, there was no separate hostel buildings for boys and girls in 78 residential schools (as shown in **Table-2.3**).

### 2.1.13 Monitoring

Between October 2010 and April 2012, the Society had appointed 27 District Education Facilitators (DEF) on honorarium basis to monitor the availability of necessary infrastructure and improve the academic performance of the residential schools/colleges. The DEFs were to visit the schools assigned to them and submit their reports by 5<sup>th</sup> of next month following the visit. We found that though the DEFs submitted their reports, there was no mechanism in the Society to process the feedback, especially relating to infrastructural deficiencies and make use of it for improving the functioning of the residential schools/colleges by addressing the issues highlighted. The Society stated (July 2013) that though the DEFs had reported about the functioning of the residential schools/colleges, it took time to set right the anomalies due to a variety of reasons, such as absence of permanent ministerial staff for the Society, appointment of teachers by outsourcing *etc.* The reply was not acceptable as the feedback given by DEFs had not been acted upon and, in the process, the Society lost the opportunity of initiating necessary course corrections. The payment of ₹ 72.22 lakh made to these DEFs was, therefore, a wasteful expenditure.

The Society had also not put in place any mechanism for regular structured information flow from the residential schools/colleges to it to get a feedback of their functioning.

The Government had constituted (May 2011) two committees for the development and management of the residential schools – one at the constituency level under the Chairmanship of the MLA and the other under the Chairmanship of the Tahsildar of the taluk for each school. We observed during joint inspection of sampled schools that these committees had not been constituted. The Society had not furnished to Audit the State level information about the functioning of these committees.

We further observed that no target had been fixed for internal audit of the residential schools/colleges during 2008-09 to 2010-11 by the officials of the Society and no internal audit had also been conducted during this period. However, against the target of 542 schools fixed for internal audit for the year 2011-12, only 243 schools in 10 districts had been inspected. The ED attributed (May 2013) the shortfall in internal audit to lack of audit staff. The Society further stated (May 2013) that the processes of audit programme for the year 2012-13 were in progress.



The ED had nominated (September 2012) officers/officials working in the Society to visit all the residential schools in the district and submit a detailed report regarding various issues viz., the number of students admitted and actually present, working strength of staff, details of infrastructural facilities available *etc.* The officers/officials nominated were to submit their reports within 15th September 2012. Though the ED stated (July 2013) that the officers on completion of their inspections had submitted their reports, the same had not been made available for audit scrutiny.

Deficient monitoring failed to assist in addressing the lack of basic infrastructural facilities in residential schools and colleges by initiating necessary course corrections. Besides, the sub-optimal performance of these schools in terms of lower enrolment level of students belonging to target groups had continued to remain unaddressed due to ineffective monitoring.

#### **2.1.14 Conclusion**

The Government/Society had not followed any norms or criteria for establishing residential educational institutions which was driven mainly by recommendations received from the elected representatives. A structured approach for determining the need for residential schools and colleges was not visible. As a result, the number of residential schools and colleges proliferated without the Government being in a position to provide basic infrastructural facilities to all of them. As of April 2013, only 234 (43 *per cent*) residential schools and colleges had own buildings while others had been functioning in rented or rent free premises lacking basic facilities such as toilet, bathroom, classroom, playground, library, benches and tables, laboratories *etc.* Residential schools/colleges failed to attract students belonging to the targeted weaker sections of the Society as 46 *per cent* of these schools and colleges had less than 75 *per cent* of the sanctioned strength of students belonging to the target groups. The financial management by the Society was not effective as huge funds had remained unused at the end of each year during 2008-13. The tendering process had not been compliant with the provisions of the Karnataka Transparency in Public Procurement Act, 1999. The evaluation of tenders had also not been consistent with the criteria spelt out in the tender documents resulting in award of construction contracts to ineligible agencies during 2008-13. Absorption of teaching staff engaged on contract basis had witnessed deficiencies as ineligible teaching staff had been absorbed. Similarly, ineligible candidates had been appointed by the Society under the direct recruitment of teaching and non-teaching staff. While the pass percentage of students studying in residential schools was encouraging, it ranged from 28 to 54 *per cent* in respect of residential PU colleges during 2010-13. Monitoring was ineffective as various deficiencies in the functioning of the residential schools/colleges had continued to remain unaddressed.

### 2.1.15 Recommendations

- Before sanctioning further residential schools/colleges, the Government needs to accord priority to equipping the already existing ones adequately by providing the requisite financial resources. Land required for construction of the schools/colleges presently functioning in rented or rent free premises needs to be identified quickly to kickstart the process of construction of buildings.
- The Government needs to evolve norms/criteria for establishing residential schools/colleges in future.
- The Society needs to maintain separate accounts for funds received from the client Departments including interest earned on unspent balances to avoid mixing up of funds. The client Departments need to put in place a mechanism to ensure timely receipt of UCs from the Society for the funds released.
- Contract management by the Society needs to be made effective by making the tendering process more transparent and compliant with the prescribed rules.
- The Society should evolve a sound monitoring mechanism for addressing the shortcomings in functioning of residential schools/colleges.

The matter was referred to Government in August 2013; reply has not been received (November 2013).





## **CHAPTER-3**

# **COMPLIANCE AUDIT**





Compliance Audit 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.

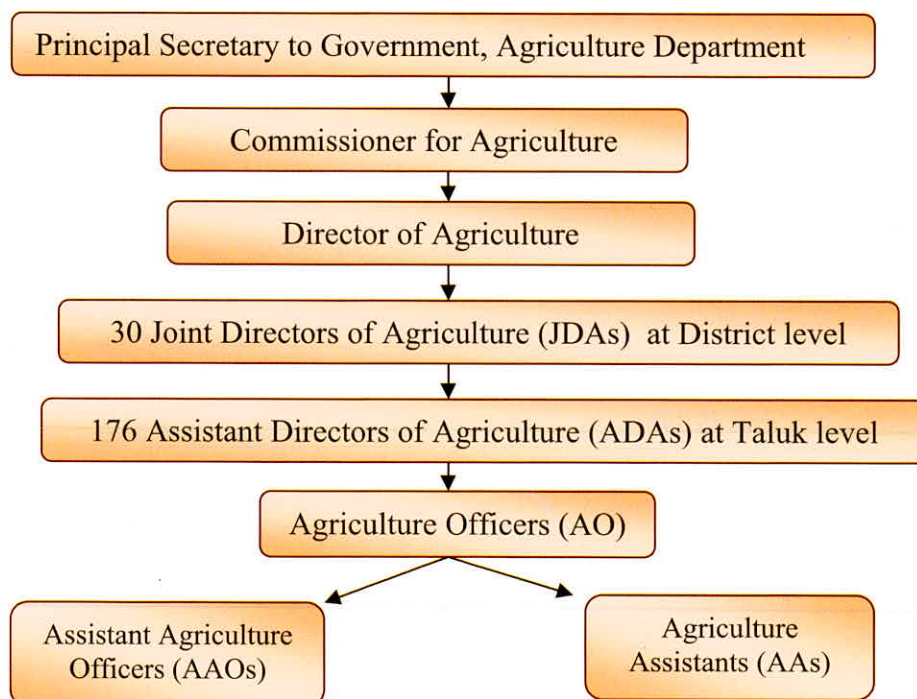
## Agriculture Department

### 3.1 Disbursement of agricultural subsidies

#### 3.1.1 Introduction

Agriculture provides sustenance for a vast majority of people. Karnataka has about 121.61 lakh hectares (ha) of cultivable area, constituting 64 *per cent* of the total geographical area (190.50 lakh ha). Of the State population of 6.11 crore, 78.32 lakh are cultivators. The State has 21.38 lakh small farmers (27 *per cent*), 38.49 lakh marginal farmers (49 *per cent*) and 18.45 lakh large farmers (24 *per cent*). As per the State Agricultural Policy, extending subsidy is an important aspect of development of agriculture. The Department of Agriculture (Department) implemented several schemes during 2008-13 with the objective of providing subsidy/ incentives to small and marginal farmers.

#### 3.1.2 Organisational Set up



Raitha Samparka Kendras (RSKs) headed by AOs play an important role in delivery of subsidy and agricultural extension services.

### 3.1.3 Scope of Audit

The implementation of the following schemes aimed at supporting agricultural activities by providing subsidy to small and marginal farmers was reviewed by Audit covering the period 2008-13 by test-check of records of the Secretariat, Commissionerate, Directorate, 10 out of 30 JDAs and 21 out of 62 ADAs in ten<sup>1</sup> sampled districts.

- Organic Farming Mission Scheme;
- Suvarna Bhoomi Yojana – Agriculture; and
- Prime Minister's Rehabilitation package for suicide-prone districts (Seed Replacement Programme)

The selection of units had been made using multi-stage stratified sampling. Audit findings are discussed below:

### 3.1.4 Organic Farming Mission Scheme

#### 3.1.4.1 Introduction

Organic farming is gaining momentum all over the world as it offers a means to address food self reliance, rural development and nature conservation. The common thread in this approach is the sustainable use of bio-diversity, in terms of both agriculture's contribution to bio-diversity and bio-diversity's contribution to agriculture. The State Government had framed (2004) its Policy on Organic Farming with the objectives of reducing the debt burden of farmers, enhancing the soil fertility and productivity, reducing the dependence of farmers for inputs like seeds, manure, *etc.*, by sourcing local resources, increasing rural employment opportunities and food security *etc.*

To promote organic farming in the State, the State Government had constituted (August 2008) a State Level Organic Farming Mission Empowered Committee (Empowered Committee) for preparation of guidelines for organic farming programme, monitoring the implementation of the Organic Farming Policy, ensuring co-ordination among various Departments and organisations concerned with organic farming *etc.* The State Government approved the plan scheme 'Promotion of Organic Farming' during 2008-09 and provided budgetary allocation for three years upto 2010-11. The Departments of Agriculture, Horticulture, Watershed Development, Sericulture, Animal Husbandry, Forest, University of Agricultural Science, Bangalore and Dharwad and University of Veterinary Sciences, Bidar were to work under a single umbrella for promoting organic farming as per the directions of the Empowered Committee.

<sup>1</sup> Bijapur, Chamarajanagara, Gadag, Gulbarga, Hassan, Mandya, Raichur, Ramanagara, Shimoga and Tumkur



### 3.1.4.2 Scheme implementation

The scheme envisaged disbursement of subsidy (see Box -1) to 500 farmers identified in each taluk for undertaking various activities connected with organic farming.

**Box -1**

Activity	Subsidy (in ₹)
Purchase of green manure seeds	: 250 per acre
Construction of vermin compost units	: 2000 per unit
Bio-digesters	: 10000 per unit
Cow-sheds	: 3000 per unit
Installation of gobar gas units	: 10000 per unit
Construction of toilets	: 2000 per toilet
Purchase of local breed cows	: 3000 per cow

The scheme was to be implemented by the Department as per the guidelines framed by the Empowered Committee in association with non-Governmental Organisations (NGOs) having inclination, knowledge and experience in Organic Farming. The JDAs were to select the NGOs as per the norms laid down by the Empowered Committee. The Department was to release funds to the NGOs in installments subject to satisfactory progress against performance indicators as per the recommendations of the District Steering Committee<sup>2</sup> (DSC). The funds for payment of subsidy to beneficiaries and administrative/service charges to NGOs were to be routed through a bank account operated jointly by the authorised person of the NGO and the ADA. Funds towards administrative and service charges were to be released to the NGO in installments as shown below:

No.	Particulars	Amount (in ₹)
1.	Salary of two field officers inclusive of Travelling and Dearness Allowances (₹ 7000 per month x 2 )	14,000
2.	Salary of 15 motivators inclusive of Travelling and Dearness Allowances (₹ 1500 per month x 15)	22,500
3.	Administrative cost and contingency per month	1,500
	<b>Total</b>	<b>38,000</b>

### 3.1.4.3 Release of funds

The budget provision for the scheme and the funds released thereagainst during 2008-11 were as shown in **Table-3.1**:

<sup>2</sup> The Committee headed by JDA to monitor and supervise the activities of the NGOs in the district.

**Table-3.1: Budget provision and funds released for the scheme**

Year	Budget provision	Funds released	Unspent amounts parked in joint accounts
	(₹ in crore)		
2008-09	42.14	39.21	2.93
2009-10	29.04	22.88	6.16
2010-11	13.20	8.08	5.12
<b>Total</b>	<b>84.38</b>	<b>70.17</b>	<b>14.21</b>

(Source: Information furnished by the Directorate)

The unspent amounts lying in the joint accounts of the NGOs and ADAs constituted 20 *per cent* of the funds released during 2008-11. Though ₹ 70.17 crore had been booked in the accounts of the State Government as the expenditure on the scheme, only ₹ 55.96 crore had been spent on the scheme and the unspent amount of ₹ 14.21 crore had not been remitted to the Consolidated Fund even as of December 2012 though the scheme had not been continued beyond 2010-11. The Director stated (July 2013) that the latest position of unspent amounts had been called for from the field offices. The reply showed that there was no regular monitoring of the utilisation of funds credited to the joint accounts.

In nine out of the 10 sampled districts, against ₹ 27.39 crore released during 2008-11, only ₹ 23.56 crore had been spent, leaving an unspent balance of ₹ 3.83 crore which together with interest earned increased to ₹ 4.02 crore as of April 2013. JDA, Bijapur, had not produced to Audit the records relating to release of funds and their utilisation. It was seen that unspent balances were mainly due to non-payment of salaries of field motivators/field officers, reasons for which were not forthcoming. ADAs neither analysed the reasons for non-utilisation nor credited the unspent balances to the Consolidated Fund.

#### **3.1.4.4 Selection of NGOs**

After the scheme had been approved (August 2008) by the State Government, the JDAs of the districts invited (3 February 2009) applications from NGOs for implementation of the scheme in 176 taluks of the State. One NGO per taluk was to be selected. We observed that immediately after the announcement of the scheme, many informal farmer groups had registered themselves as Public Charitable Trusts under the Indian Trust Act. This had been done mainly to project themselves as NGOs and participate in the implementation of the scheme. A sample of 60 NGOs selected by the JDAs in test-checked districts for implementing the scheme showed that in 56 cases<sup>3</sup>, the NGOs had been registered after the announcement of the scheme.

While the last date for receipt of applications was 13 February 2009, the selection of the NGOs was to be finalised by the JDAs by 20 February 2009 and approval to the select list was to be given by the Director by 25 February 2009. Thus, the time frame for receipt of applications from the NGOs was short. It was seen that in Hassan district, only one application for each of the

<sup>3</sup> 1 in October 2008, 40 on a single day on 10 November 2008, 14 on various dates in November 2008 and one in December 2008



eight taluks had been received and all the applicants had been selected. Thus, the short time frame reduced participation of NGOs in the tendering process.

Further, the applicants were graded on the basis of information furnished by them about organic farming activities undertaken without any validation and those securing the highest grades were selected as NGOs for implementing the scheme. Thus, the selection process was skewed and the Department ended up enlisting entities who had not worked as NGOs in the field of organic farming before.

### • **Conflict of interest**

We observed that while the Secretary and the Treasurer of each NGO received salaries for having worked as Field Officers of the scheme, the remaining 15 farmer members of each NGO received salaries for having worked as motivators. Thus, all the members of the NGOs except the President shared the entire administrative and service charges.

In addition, all the members of the NGOs including the President availed of subsidy also under the scheme in the capacity of farmers practising organic farming. The details of administrative and service charges paid to the NGOs in nine<sup>4</sup> districts and the subsidy paid to the members of these NGOs during 2008-11 were as shown in **Table-3.2**:

**Table-3.2: Administrative/service charges and subsidy paid to members of the NGOs**

(₹ in lakh)

Sl. No	Districts	No. of NGOs	Subsidy availed	Salaries paid	Total expenditure on the scheme
1	Bijapur	6	18.04	44.26	252.64
2	Chamarajanagara	4	9.95	41.04	172.69
3	Gadag	5	12.73	54.86	218.85
4	Gulbarga	7	18.93	52.06	315.53
5	Hassan	7	13.82	58.17	261.14
6	Mandya	6	14.45	43.99	307.98
7	Raichur	5	12.96	57.38	201.93
8	Shimoga	7	20.22	46.68	255.08
9	Tumkur	9	29.02	86.36	463.15
<b>Total</b>		<b>56</b>	<b>150.12</b>	<b>484.80</b>	<b>2448.99</b>

(Source: Information furnished by JDAs and ADAs)

Thus, 26 *per cent* of the funds spent under the scheme in nine districts had gone to the members of the NGOs. While payment of salaries to the members of the NGOs would be *per se* in order, availing of subsidy by them was reflective of conflict of interests. Informal farmer groups registering themselves as NGOs after the announcement of the scheme clearly points to their interest to unduly profit from such association.

<sup>4</sup> JDA, Ramanagara had not furnished the details of administrative cost paid. However, subsidy paid to the members of two NGOs in sampled taluks aggregated ₹ 5.71 lakh.

### **3.1.4.5 Performance of NGOs**

The performance of the NGOs witnessed several shortcomings and deficiencies as detailed below:

- Benchmark survey had not been conducted by NGOs in 12 out of 21 sampled taluks. Further, copies of benchmark surveys were not available with six out of nine JDAs.
- NGOs had not prepared action plans in 10 out of 21 taluks for implementation of the scheme;
- In 15 out of 21 taluks, NGOs had not collected information and data on organic farming;
- As part of the Participating Guarantee System, the NGOs were to issue a Daily Diary to the beneficiaries for recording the details of all activities relating to organic farming undertaken on their land. The NGOs were to randomly check these diaries and report the findings to the ADAs. If the beneficiaries had not been following the organic farming practices, appropriate action was to be taken against them. However, no Daily Diary had been issued to the beneficiaries and NGOs failed to monitor the activities of the farmers. The ADAs had not taken action against the NGOs for this failure as guidelines did not specify the same.
- NGOs in 12 out of 21 taluks failed to submit monthly and annual physical and financial progress reports highlighting all the major achievements. Four out of 10 JDAs had not received these reports at all for the period 2008-11; and
- Audited accounts and Annual Financial Reports had not been submitted in five out of 10 districts and four out of 21 taluks for the period 2008-11. There were delays in submission of UCs also. In Chamarajanagar district, no UCs had been submitted by NGOs in four taluks for the period 2008-11 in respect of ₹ 1.73 crore released to them.

Despite these lapses, the JDAs/ADAs authorised payment of administrative cost and service charges to the NGOs.

### **3.1.4.6 Irregularities in disbursement of subsidies**

- We observed that ADAs and NGOs had irregularly disbursed subsidy of ₹ 1.01 crore to 1146 beneficiaries in nine test-checked districts (except Gadag district) for setting up gobar gas units without obtaining No Objection Certificate (NOC) from Rural Development and Panchayat Raj Department (RDPR) and Karnataka Village Industries Commission that they had not availed any subsidy from these Departments earlier for setting up gobar gas units. Only in Chamarajanagar district, NOC had been obtained by eight beneficiaries.
- Farmers seeking subsidy for construction of toilets were to produce a similar NOC from RDPR. However, ADAs and NGOs had irregularly disbursed subsidy of ₹ 39.96 lakh to 2014 beneficiaries in nine districts



without insisting on NOC. However, NOC had been obtained by 194 beneficiaries in Chamarajanagar district.

- The Empowered Committee instructed (September 2009) that in cases where subsidy for construction of vermin compost units/cow sheds/bio-digesters was disbursed to the beneficiaries, three stage photographs (before, during construction and after completion of construction) should be insisted upon. However, we observed that subsidy of ₹ 7.37 crore had been irregularly disbursed in the sampled taluks to 12,845 beneficiaries on the basis of only the photographs of the completed units. The details were as shown in **Table-3.3**:

**Table-3.3: Details of subsidy disbursed**

Subsidy disbursed	No. of taluks	Units constructed	Subsidy paid (₹ in lakh)
Vermin Compost unit	53	2,173	46.48
Bio-digesters	53	1,489	135.96
Cow sheds	53	9,183	554.41
<b>Total</b>	<b>53</b>	<b>12,845</b>	<b>736.85</b>

(Source: Information furnished by JDAs and ADAs)

In 19 out of 21 sampled taluks, ADAs had not conducted 20 *per cent* random check of the units constructed, though required. In the absence of three stage photographs and the random inspection of the units constructed, the important controls for ensuring payment of subsidy only for freshly constructed units had been bypassed.

#### **3.1.4.7 Implementation of the scheme by the Department**

During June 2011, the Government directed that the implementation of the scheme during 2011-12 be done by the Department itself instead of through the NGOs. Though the Government provided a budget provision of ₹ 200 crore during 2011-12 under “Organic Farming”, the Department disbursed a subsidy of only ₹ 70.06 crore as funds released by the Government fell short of the budget provision by 129.94 crore. Though the design of the scheme had remained unaltered and subsidy at the prescribed scale was payable only for specific components (as discussed in Paragraph 3.1.4.2), it was seen in sampled districts that the Department disbursed the first installment of subsidy aggregating ₹ 8.22 crore to 19370 farmers and the second installment of subsidy aggregating ₹ 6.75 crore to 17976 out of 19370 farmers. In sampled taluks, it was seen that the ADAs disbursed the subsidy without relating it to either the prescribed scale or the prescribed component. These ADAs did not have any information or documents regarding the organic farming activities undertaken by the farmers during 2011-12 viz., construction of cow shed, vermin compost units, bio-digesters, purchase of green manure seeds, cows *etc.* No photographs of the units constructed by the farmers had been taken before disbursing the subsidy.

Though ADAs in six taluks, while replying to the Audit questionnaire, stated (February to April 2013) that subsidy of ₹ 33.82 lakh had been disbursed in 426 cases after inspection of the farmers’ fields by Farmer Facilitators (FFs), the detailed inspection report and photographs evidencing construction of structures were not made available.



### 3.1.4.8 Non-implementation of the scheme during 2012-13

With a view to extending organic farming to more villages, the State Government provided a budget provision of ₹ 200 crore during 2012-13 by remodelling the scheme as “Amrutha Bhoomi Project-Extension of Organic Farming”. However, the scheme was not implemented during 2012-13.

### 3.1.4.9 Ineffective integration of schemes related to organic farming

The State policy on Organic Farming envisaged an integrated approach to promote organic farming by converging all related schemes of different departments by bringing these Departments under one umbrella and pooling the financial allocations of the State for organic farming. The policy also envisaged active participation of Krishika Samaj, Self Help Groups (SHGs), Farmers Co-operatives, Farmers’ Companies *etc.*, in the initiative to promote organic farming. Bio-mass production, Bio-diversity, Input support, *etc.* were given primary importance in the policy.

However, we observed that the convergence of related schemes was partial in test-checked districts as shown in **Table-3.4**.

**Table-3.4: Convergence of related schemes**

Convergence activity to be undertaken	Test-checked districts where this had been taken up
Setting up Krishi Samaj to provide organic farming and translate the Organic Farming Policy into a reality	Chamrajanagar, Gadag, Hassan and Tumkur
Formation of SHGs exclusively for the purpose of production of quality compost, vermin compost, organic seeds, planting and plant production materials.	Gadag, Hassan and Mandya
Setting up of Farmers’ co-operatives for promotion of organic farming programmes.	Gadag and Tumkur
Critical input support to be provided by Farmers’ Associations/Farmers’ Co-Operatives/Farmers’ Companies	Gadag, Hassan, Mandya and Tumkur
Package of practices to be prepared by Agricultural universities and Krishi Vignan Kendras	Tumkur
Setting up community seed banks for preserving and multiplying local and traditional seed varieties.	Gadag, Hassan and Mandya
Identification of appropriate plant and tree species combination	Gadag and Tumkur.

The Director stated (July 2013) that there was no time frame fixed for implementation of strategies listed in the Policy on Organic Farming. The reply underscores the fact that the efforts taken by the State to promote organic farming were limited, disaggregated and no integrated approach was visible.

### 3.1.5 Suvarna Bhoomi Yojane -Agriculture

The State Government had introduced (March 2011) “Suvarna Bhoomi Yojane” (SBY) under which small and marginal farmers in possession of less than 5 acres of land were eligible for an incentive upto ₹ 10,000 for shifting the crop pattern from low income yielding crops to high income yielding/alternative crops viz., pulses, oil seeds and BT cotton.



The budget provision for the scheme and expenditure thereagainst during 2011-12 and 2012-13 were as shown in **Table-3.5**:

**Table-3.5: Budget provision and expenditure**

(₹ in crore)

Year	Budget provision	Expenditure
2011-12	260.00	247.65
2012-13	149.10	200.32

(Source: Appropriation Accounts of the State Government)

As per the guidelines of the scheme, the one time incentive was payable in two installments; the first installment upto ₹ 5000 for the purpose of purchase of seeds, fertilisers, micro nutrients, plant protection chemicals and equipment to start the activities of sowing by the identified beneficiaries and the second installment of upto ₹ 5000 on verification of the crops grown in the field by a Third Party Agency (TPA) appointed by the Department. The TPA was to take a Global Positioning System (GPS) digital photo with tags showing the latitude, longitude and altitude and append it to the filled up verification report. ADAs were to credit the incentive to the bank accounts of the beneficiaries.

### 3.1.5.1 Belated payment of incentive

In 10 sampled districts, the Department had disbursed ₹ 100.64 crore to 1.31 lakh beneficiaries and ₹ 62.94 crore to 0.81 lakh beneficiaries during 2011-12 and 2012-13 respectively. As per the scheme guidelines, the first and second installments were to be paid according to the following time-frame:

Year of disbursement of subsidy	I installment	II installment
2011-12	Between 4 <sup>th</sup> week of April and the 1 <sup>st</sup> week of May to facilitate sowing	August of the same year
2012-13	Between 3 <sup>rd</sup> week and 4 <sup>th</sup> week of June	September of the same year

However, we observed that the first installment had been disbursed in sampled districts during 2011-12 and 2012-13 long after the sowing season during June 2011 to March 2013, defeating the very purpose of its disbursement. The second installment had also been disbursed belatedly during October 2011 to April 2013. Untimely release of the first installment had adverse impact on the beneficiaries as many of them failed to utilise the incentive received for sowing and did not, therefore, come forward to claim the second installment. In 10 sampled districts, while 18,613 beneficiaries who had received ₹ 5.84 crore as the first installment did not avail of the second installment during 2011-12, 10,853 beneficiaries who had been paid first installment aggregating ₹ 5.68 crore did not come forward to claim the second installment during 2012-13. The details are given in **Appendix-3.1**. While Shimoga (79 per cent) and Hassan (36 per cent) districts witnessed major shortfall in disbursement of the second installment during 2011-12, Shimoga (92 per cent) and Ramanagara (27 per cent) districts recorded major shortfall during 2012-13. Thus, utilisation of first installment of ₹ 11.52 crore by 29,466 beneficiaries for the intended purpose could not be verified by Audit.



### 3.1.5.2 Implementation of the scheme through TPAs during 2011-12

We observed that the Department had paid ₹ 5.24 crore to the TPAs during 2011-12 towards field verifications done by them. The Government had appointed (September 2011) 10 TPAs for field verification in the State after inviting tenders. The JDAs of the districts entered into Memorandum of Understanding (MoU) with the TPAs specifying the conditions for field verification. Though the TPAs were to consolidate the reports of field inspections village-wise, hobli-wise<sup>5</sup>, taluk-wise and district-wise and furnish three hard copies thereof along with a soft copy, the TPAs submitted only beneficiary-wise inspection reports, depriving the Department of the opportunity of building a database which could be used for future planning.

Further, the format devised by the Department for the field verification report did not contain any field for recording the survey number of the land belonging to the beneficiaries. With the exception of Bijapur district, the TPAs had taken only ordinary colour photographs during field verification and the Department did not insist on GPS colour photographs with tags. These tags and the survey number of the land would have corroborated that the land belonged to the farmer claiming subsidy and that he had grown the prescribed crops on that land. Dispensing with the recording of survey numbers of the land and GPS photographs with tags compromised the safeguards embedded in the scheme guidelines to ensure that only the eligible beneficiaries received the incentive under the scheme.

To overcome the shortage of staff, the Department permitted (March 2011) the ADAs in taluks to appoint Farmer Facilitators (FFs), one each for 300 farmers for the purpose of publicity of the scheme, selection of beneficiaries, preparation of reports, field verification *etc.* The FFs were to be paid honorarium of ₹ 150 per day for a maximum period of 240 days in a year. The field verification reports of TPAs were also to be countersigned by the FFs before disbursement of the second installment of the incentive. However, we observed in sampled taluks that the FFs had not countersigned 21,565 out of 41,547 field verification reports of TPAs. Nevertheless, payment had been made to the TPAs.

As per the scheme guidelines, the taluk level officers were to conduct 100 *per cent* inspection of the farmers' fields before payment of the incentive. However, while entering into MoU with the TPAs, the percentage of inspection by the Department was scaled down to one *per cent* of the cases randomly selected. We observed in sampled taluks that even one *per cent* inspection had not been done by ADAs on grounds of shortage of staff.

Our scrutiny of the 41547 field verification reports of TPAs in sampled taluks showed the deficiencies as listed in **Table-3.6**:

<sup>5</sup> Cluster of adjoining villages administered together for tax and land tenure purposes.



**Table-3.6: Deficiencies in the field verification reports of TPAs**

Sl. No.	Details	No. of cases	Percentage of deficiency	Amount disbursed (₹ in crore)
1.	Reports without GPS photographs	38,846	93	15.53
2.	Cases where signatures of FFs had not been found in the verification reports	21,565	52	8.82
3.	Cases where TPAs had not signed the field verification reports	559	1	0.22
4.	Verification reports not carrying the seal of TPAs	7,276	18	3.43
5.	Date of sowing not mentioned in the verification reports	2,406	6	0.94
6.	Cases where signature of farmers had not been found in the verification reports	124	1	0.05

(Source: Information furnished by JDAs and ADAs)

Thus, the checks and balances prescribed for ensuring the disbursement of incentive only to eligible beneficiaries were compromised, exposing the Department to the increased risk of ineligible beneficiaries profiting from the lapses.

The Department also mis-represented the facts (August 2012) to the Finance Department (FD) while replying to the latter's observations on the scheme implementation. The observations of the FD, and the replies furnished by the Department are shown in **Table-3.7**:

**Table-3.7: Department's replies to the observations of FD**

	FD's observations	Department's reply
1.	Whether the claims had been certified by the concerned officers? What was the reliability of these claims? What were the end results?	The claims had been certified by the TPAs and FFs and incentive had been paid on the basis of the verification reports.
2.	Whether the documents regarding photographs of the crops, plantation, etc., using GPS enabled cameras to record the switch over to the selected plantation by the farmer had been done?	The TPAs had used GPS cameras for verification of the crops.
3.	Whether 100 <i>per cent</i> inspection of the farmers' fields had been got done by the taluk level officers?	Due to shortage of staff, 100 <i>per cent</i> inspection by the Department was not possible. Verification had been done through TPAs and FFs.

### **3.1.5.3 Implementation of the scheme by the Department during 2012-13**

The Department instructed (November 2012) the JDAs to get the field verifications done by FFs instead of engaging TPAs. The Department also prescribed that AOs, ADAs and JDAs were to check 15 *per cent*, 5 *per cent* and 1 *per cent* of the field verifications done by the FFs.

Our scrutiny of the working strength of AOs in 291 RSKs<sup>6</sup> in sampled districts showed that 209 RSKs (72 *per cent*) did not have AOs and were being managed by AAOs/AAs. In this context, the Department's directive to the AOs to check 15 *per cent* of the field verification done by FFs was difficult to implement. We further observed from the field verification reports of FFs in sampled taluks that the AOs/ADAs/JDAs had not signed any of the verification reports to evidence checks done by them nor were there other documents to evidence such checks. Thus, disbursement of incentive had been done mainly on the basis of verification reports submitted by FFs working on daily wages.

The field verifications done by the FFs were supported only by ordinary colour photographs of the fields with the beneficiaries shown standing in the fields. GPS photographs with tags had not been taken. Our scrutiny of the photographs pasted on the verification reports of FFs showed that the images of the beneficiaries had been superimposed on the crops grown in the fields in some cases, evidencing that these photographs were fake.



Superimposed images of beneficiaries

Thus, ordinary photographs vulnerable to manipulation formed the basis for payment of the second installment of incentive and these photographs failed to provide conclusive evidence that the land belonged to the beneficiary and prescribed crops had been grown by the beneficiary on that land.

#### **3.1.5.4 Flaws in the design of the scheme**

The scheme envisaged onetime payment of incentive to farmers for shifting the cropping pattern from low income yielding crops to high income yielding alternative crops. One of the strategies essential for encouraging shifting of cropping pattern is to identify the areas requiring such a shift through a survey. The scheme failed to factor in this issue in its design and extended the incentive to all parts of the State including Bijapur, Gadag, Gulbarga, Raichur and Tumkur districts where high income yielding commercial crops were already being grown abundantly. The beneficiaries identified in these districts received incentive during 2011-13 though there was no need for shifting the cropping pattern. The design of the scheme failed to prescribe necessary

<sup>6</sup> Raitha Samparka Kendras to provide information on crop selection, crop production related know-how and market information to farmers



checks and balances to determine whether there was any shift in the cropping pattern by the beneficiaries to become eligible for the incentive.

As per the scheme guidelines, the beneficiaries who had misused the incentive would not be eligible for any benefit under any scheme of the Department for a period of three years. As the Department did not have a consolidated database of farmers receiving subsidy under various programmes, it was not possible for the department to identify such ineligible beneficiaries and deny them the benefits subsequently. Secondly, after availing of the onetime incentive in one year, the beneficiaries were under no compulsion to continue with the changed cropping pattern and could raise crops of their choice subsequently.

Though the scheme's objective of providing subsidy for shifting the cropping pattern is laudable, the flaws in its design would only encourage the beneficiaries to misuse the incentive, thus making the scheme ineffective.

### **3.1.6 Prime Minister's Rehabilitation Package for suicide-prone districts (Seed replacement programme)**

Government of India (GoI) had approved (October 2006) a special Prime Minister's Rehabilitation Package (PMRP) for ameliorating the hardship of farmers in six distressed districts (Belgaum, Chikkamagalur, Chitradurga, Hassan, Kodagu and Shimoga) which had reported high incidence of suicides in the State. The package allocated ₹ 178 crore to the Department to be spent over three years<sup>7</sup> on providing 50 *per cent* subsidy for procurement of certified seeds for a maximum of one hectare per farmer in these six districts.

#### **3.1.6.1 Implementation of the package**

GoI had instructed (October 2006) the Department to ensure availability of adequate quantity of seeds in the selected districts for seed replacement and make necessary arrangements for producing the required certified/quality seeds through Karnataka State Seed Corporation (KSSC), Karnataka Co-operative Oil Seed Grower Foundation, National Seed Corporation (NSC), State Farm Corporation of India, other State Seed Corporations and private seed companies *etc.*, well in advance of every sowing season.

Accordingly, the Department had prepared (November 2006) the action plan and KSSC was designated as the nodal agency. The action plan for procuring seeds and seeds actually distributed were as shown in **Table-3.8:**

<sup>7</sup> Summer 2007, Khariff, Rabi and Summer seasons of 2007-08 and 2008-09.

**Table-3.8: Action plan and seeds distributed**

Season/ Year	Certified seeds required as per Action Plan				Seeds supplied		Achievement in terms of	
	Area proposed in hectares	Quantity (in quintals)	Value of seeds (₹ in crore)	50 per cent subsidy amount (₹ in crore)	Quantity (in quintals)	Amount (₹ in crore)	Quantity	Amount
Summer 2007	62817	42216	10.40	5.20	2304.98	0.16	59 percent	52 percent
2007-08	1313540	593957	172.80	86.40	110476.95	11.34		
2008-09	1313540	593957	172.80	86.40	113735.42	14.05		
2009-10	-	-	-	-	219929.59	34.07		
2010-11	-	-	-	-	137453.21	15.93		
Khariff 2011	-	-	-	-	142900.27	17.12		
<b>Total</b>	<b>2689897</b>	<b>1230130</b>	<b>356.00</b>	<b>178.00</b>	<b>726800.42</b>	<b>92.67</b>		

(Source: Information furnished by the Directorate)

During the period 2006-07 to 2009-10, GoI released ₹ 177.95 crore to KSSC for implementation of package in six districts and extended (October 2008) the implementation period up to September 2011.

The shortfall in spending was due to failure of the Government seed agencies and departmental firms to supply the required quantity of certified seeds. In response to GoI's request (October 2011, March 2012 and July 2012) for refund of the unspent balance of ₹ 85.28 crore together with interest earned thereon, KSSC refunded only ₹ 84.57 crore (₹ 30 crore during January 2012, ₹ 25 crore during April 2012 and the balance during October 2012) and did not refund the interest earned from investment of the unspent balances in Fixed Deposits. KSSC reported (June 2010) to GoI that interest earned had been used for the purpose of maintaining inventories and adequate coverage of losses for low margin seeds and other administrative expenses related to the programme implementation. It was further reported that KSSC had paid income tax on the interest earned, dividends had been allocated to the shareholders, and dividend tax had also been paid and these could not be retrieved.

However, GoI had been insisting (November 2012) on refund of interest earned on the whole grant-in aid given for PMRP. The stand of KSSC is indefensible as the PMRP guidelines did not permit treatment of interest earned on unspent balances as the income of the implementing agencies. Any interest earned on unspent balance should be credited to PMRP's account only. Failure of KSSC to do this created the scope for utilisation of interest earned for unauthorised purposes. Thus, grants given by GoI under PMRP, instead of being utilised for programme implementation, had been used for generating income from interest and boosting the working results of KSSC. The interest earned by KSSC on unspent balances aggregated ₹ 29.84 crore at 9 per cent.



### 3.1.7 Conclusion

Though the State policy on 'Organic Farming' prescribed an integrated approach to promote organic farming, the Government's approach was disaggregated as it consisted of only payment of subsidy to a handful of persons in each taluk for undertaking certain activities connected with organic farming. The integrated approach was lacking as convergence of all related schemes of different departments had not been established to create an enabling atmosphere for sustained organic farming at appropriate places. The implementation of the scheme witnessed several shortcomings right from selection of NGOs to disbursement of subsidies. Checks and balances for ensuring that subsidy was paid only to eligible beneficiaries had been compromised, creating scope for financial irregularities.

Under the Suvarna Bhoomi Yojane-Agriculture, payment of incentives to the beneficiaries to procure the inputs for sowing had been badly delayed, defeating the very purpose of the incentive. The performance of the Third Party Agencies appointed for verifying the crops grown by the beneficiaries was far from satisfactory and failed to provide assurance that incentives had been disbursed to eligible beneficiaries.

GOI's grant-in-aid given for seed replacement under PMRP in six districts which had reported high incidence of suicides had not been fully made use of and the State Government lost central assistance of ₹ 85.33 crore.

### 3.1.8 Recommendations

- The State Government should follow an integrated approach to promote organic farming as envisaged in its Policy on Organic Farming. The scheme guidelines should incorporate sufficient safeguards to ensure that the implementation of the initiatives are transparent and subsidies are paid only to eligible beneficiaries. The State Government should investigate the irregular payments of subsidy highlighted in this report and fix responsibility for the lapses.
- The design of the Suvarna Bhoomi Yojane-Agriculture should be revisited to ensure that the Government's support in the form of subsidy is extended only to areas requiring a shift in the cropping pattern. The scheme guidelines should also incorporate appropriate checks and balances to ensure that the subsidy paid under the scheme is not misused.

The matter was referred to Government in July 2013; reply has not been received (November 2013).

## Department of e-Governance

### 3.2 Audit of Human Resources Management System

#### 3.2.1 Introduction

The State Government had initiated the Human Resources Management System (HRMS) project in the year 2003 with the objective of maintaining an exhaustive and accurate database of Government employees for effective administration and also to improve productivity and efficiency in the Government. The project was funded by the World Bank under its Technical Assistance Programme. The work of “Study, design and development, testing, installation and implementation of the HRMS software” had been awarded (March 2005) by the Government to CMC Limited, Bangalore (consultant) for ₹ 4.35 crore including training of staff and maintenance for two years after acceptance of the final report of completion of the project. The consultant was to roll out the system by March 2006. The implementation of the project had been transferred (July 2006) from the Finance Department to the Department of Personnel and Administrative Reforms, e-Governance (Department) as the latter had expertise to handle the project. HRMS, which consisted of the five modules viz., Service Register, Pay Roll, Promotions, Transfer and Budget had the requisite interface for online transfer of pay bill to the Treasury. However, this functionality could not be rolled out due to the following:

- The Treasuries worked on limited bandwidth;
- The hardware at the Treasuries was more than eight years old;
- There were power problems at Taluk Treasuries; and
- Any new activity on the existing Treasury system was considered risky by the Treasury Department.

The HRMS architecture was, therefore, modified to centralised/internet based solution accessible to Drawing and Disbursing Officers (DDOs) from their offices. All the DDOs had furnished the updated Service Register data in electronic spread sheets which were migrated to HRMS, which went live thereafter on 18 February 2008. The HRMS data had information on 5,36,831 employees which resided in the servers kept at State Data Centre and the DDOs accessed the data through internet. The DDOs prepared the pay bill through the Pay Bill Module and sent the hard copy of the pay bill so generated to the assigned Treasury for payment.

The annual maintenance of HRMS had also been entrusted (August 2010) to the consultant for a period of three years effective from 1 April 2010 at a cost of ₹ 1.51 crore. The services of the consultant were continued (November 2013) for another two years at a cost of ₹ one crore.



### 3.2.2 Organisational set-up

The Centre for e-Governance (CeG), a society registered under the Karnataka Societies Registration Act, 1960, is an autonomous body specially formed to implement and monitor various Information Technology (IT) enabled services and e-Governance initiatives in the State. The CeG has a Governing Council consisting of Chief Secretary as the ex-officio President, Additional Chief Secretary as the ex-officio Vice President, Principal Secretary, Finance Department and 10 other members. These 10 members constitute the Executive Committee which administers the affairs of the society. The Chief Executive Officer (CEO) functions as the Member-Secretary of the Executive Committee which is headed by the Secretary, e-Governance. HRMS is headed by a Project Officer functioning under the CEO.

### 3.2.3 Audit objective

The objective of Audit was to examine the quality and integrity of HRMS data and to report on the effectiveness of the Department's management of the data and how it impacted service delivery.

### 3.2.4 Audit scope and methodology

Audit, which was conducted between April and August 2013 comprised examination of the HRMS data since inception to end of March 2013 including pay roll processing, and the accuracy, completeness and reliability of the electronic records. The accuracy and completeness of records of selected fields and other key fields that underpin the integrity of the HRMS data were examined. While Audit did not directly examine the accuracy of individual payments, it examined the underlying data integrity issues that could impact on the accuracy of payments to employees. Audit also included a limited number of reviews of paper files, particularly in relation to the development of HRMS and data management.

### Audit findings

#### 3.2.5 Quality of legacy data

We observed that the Master tables of HRMS were populated with data obtained from the DDOs in electronic spread sheets without subjecting them to any validation checks. Though the Department provided data access to the DDOs after migration to rectify the data errors, inconsistent data continued to reside in the database. Examples of such inconsistencies are given below:

##### 3.2.5.1 Personnel Information Data

HR master data is captured in the Service Register table that includes personal information like first name, surname, address, next of kin, date of birth, date of entry into service, qualifications and salary information. This is the first record

the DDO creates when an employee joins Government service. Our analysis of the data in this master table showed the following:

There were 37 records where the date of birth (DOB) was the same as the date of joining service, the DOB was later than the joining date in 38 records. Further, there were 389 records where the difference between DOB and the joining date was less than 18 years, implying that these employees had joined service before the age of 18 years. Another 49 records had DOB prior to 1 January 1947 implying that these officials had continued to remain in service after attaining the superannuation age of 60 years. Other inconsistent/invalid data noticed by us in the master table are shown in **Appendix-3.2**.

### 3.2.5.2 General Provident Fund numbers

We observed that the table having employee basic details contained 3204 records with invalid General Provident Fund (GPF) numbers. Illustrative details are given in **Table-3.9**:

**Table-3.9: Illustrative cases of invalid GPF numbers**

Employee ID	Employee name	GPF numbers
0900842472	BALAGANGADHARA TILAK	-
0900581155	B.R.BELESHE	-----41446
0900834665	K.JAYASHEELAMMA	----0
0900220532	MANJAPPA	-00
0900789615	DR.BABU REDDY.K	-00000000

(Source: HRMS database)

Further, there were 960 records where the same GPF number had been entered for more than one employee. Illustrative details are given in **Table-3.10**:

**Table-3.10: Illustrative cases where same GPF numbers have been allotted to more than one employee**

Employee ID	Employee name	GPF/Policy Number
0900312652	SAVITHA T.N.	EDN-357046
0900312544	NARASIMHAMURTHY BC	EDN-357046
0900849621	PRAKASH B K	EDN-357046
0900759257	DR.JAGADEESH.K.P.	M-59524
0900759256	YOGESHAPPA.S.	M-59524
0900699839	PRAVEEN	OGES-5062
0900699833	B.KIRAN KUMAR	OGES-5062
0900660296	NARAYAN V MADIVAL	SSW-2767
0900843284	VENKATANARAYANA	SSW-2767

(Source: HRMS database)

The Government stated (November 2013) that a GPF Account Master would be created on the basis of information obtained from the Accountant General (AG) and the GPF numbers would be validated against this master. It was further stated DDOs had been advised to correct the invalid GPF numbers and update the database with the correct GPF account numbers.



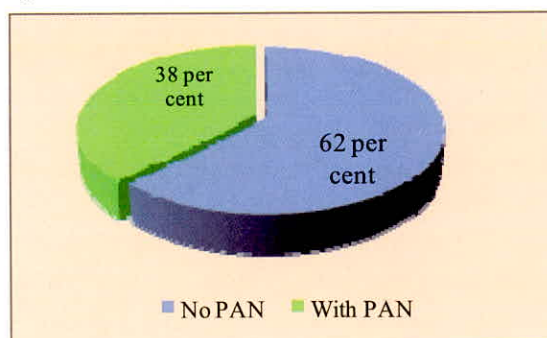
### 3.2.5.3 Karnataka Government Insurance Department data

We observed that the employee basic details table had invalid Karnataka Government Insurance Department's (KGID) policy numbers, duplicate policy numbers or null value. Illustrative cases are given in **Appendix-3.3**.

The Government stated (November 2013) that this had occurred during data migration when data had been received from more than 21000 offices across the State. The Government informed that at present, there were no insurance policies with null values and there were 4417 duplicate policy numbers in the system. It was further stated that in respect of records with duplicate KGID numbers, both the duplicate numbers were being made null and the DDOs were being alerted to update the correct numbers. The reply would show that the system had permitted null values in the field which should have been a mandatory field as every Government servant is mandated to have KGID insurance policy. The duplicate numbers in the field would also be indicative of lack of validation checks.

### 3.2.5.4 Permanent Account Numbers

We observed that out of 536831 employee records, 3,35,272 (62 per cent) did not contain the details of Permanent Account Number (PAN) and 2613 records were having the same PAN.



The Government stated (November 2013) that PAN number was not mandatory for employees who were not income tax payers. It was further stated that PAN had been now made mandatory for all the employees for whom tax deduction was made through HRMS and 49926 records had been updated by the DDOs in the last one month. Regarding duplicate PAN, it was stated that action had been taken to remove these and DDOs would be alerted to enter the correct PAN. The Government also detailed the plan of action to validate the PAN against Income Tax records.

Regarding the inconsistencies in the legacy data, the Government stated (November 2013) that since the data had been captured through the spread sheets, cross validation between the columns in the spread sheets was not possible. It was further stated that the issues relating to data integrity/inaccuracies could have been avoided only if all the Service Registers and

related information were brought to a central place and digitised with verification. HRMS, as conceived, did not have the mandate as such effort was neither physically nor financially feasible as database had to be built with information from more than 21000 DDOs with very limited IT capabilities/skills and lack of access to basic IT systems. The Government's reply is to be viewed in the light of the fact that the success of HRMS was dependent on the foundation of clean and reliable data. However, even five years after rolling out of HRMS, inconsistent/invalid data had not been removed from database defeating the very objective of developing HRMS.

The Government further stated that the DDO was responsible for updation and maintenance of the Service Register and generation of payroll and, consequently, the ownership of adequacy and correctness of the data in the HRMS rested with the DDOs. It would be relevant to mention here that while the DDO is responsible for data, the development of the HRMS afforded the perfect opportunity to enable and facilitate the DDO to rectify and update the legacy data. Further, mapping of business rules could be effective only when the data is clean. In this context, the Department/Government should consider evolving a participatory model through a web enabled interface in which the Government employees are given read only access to view their master data and propose rectifications as appropriate. On confirmation of the proposed rectifications by DDO/Head of the Department (HOD), the incorrect/inconsistent data can be set right. This participatory approach carries the potential of improving the quality of the legacy data as the Government employees, as a major stakeholder, will be more than willing to set right the inconsistencies in their service data. Populating Aadhaar in the Personal Information Database would also help in deduplicating records.

We also observed that basic information in the service register table like nominee details, home town and qualification of Government servants had not been updated. The participatory model suggested above would quicken the process of gathering the basic information.

### **3.2.6 Creation of reference Master Tables**

The design of the HRMS should have commenced with designing and developing Master Tables indicating the posts, groups, pay scales, categories for House Rent Allowance and City Compensatory Allowance, other allowances etc with facility for their regular updation. However, we observed that all the requisite master tables had not been created. This led to non-mapping of business rules, resulting in wrong determination of entitlements of the employees. One instance where Audit observed that employees belonging to a group had been incorrectly classified under more than one group is shown in **Table-3.11**.



**Table-3.11: Classification of employees under more than one group**

Cadre	Groups under which classified	The group which the employee actually belonged
Range Forest Officer	A,B,C & D	B
Gazetted Manager	A,B,C & D	B
Administrative Officer	A,B & C	B
Agricultural Officer	A,B & C	B
Armed Police constable	A,C & D	C
Assistant Administrative Officer	A,B & C	B
Assistant Director	A,B & C	B
Assistant Engineer	A,B & C	B
Block Education Officer	A,B & C	B
Commercial Tax Officer	A,B & C	B
Deputy Conservator of Forest	A,B & C	A
Executive Engineer	A,B & C	B
First Division Assistant	B,C & D	C
Inspector of Excise	A,B & C	B
Librarian	A,B & C	C
Peon	C & D	D

(Source: HRMS database)

As per the Government order of December 1981, the following deductions should be done from the salary of each employee compulsorily towards Employees' General Insurance Scheme.

Group	Monthly subscription
A	₹ 240/-
B	₹ 180/-
C	₹ 120/-
D	₹ 60/-

We observed that due to wrong classification of groups of the employees, deductions towards Employees General Insurance Scheme had been made erroneously as illustrated in **Appendix-3.4**.

The Government stated (November 2013) that the Department had been trying to solve this problem by creating a Post-Group-Scale-Master and the process of compilation of masters had been completed to a large extent by collecting and mapping of data in respect of 60 departments having large number of employees. It was further stated that after the creation of this master, exception report would be generated for employees mapped to incorrect groups and sent to the HODs/DDOs for necessary action.

### 3.2.7 Ineffective application controls

We noted that workflow functionality had not been introduced in full for pay roll processing as all the applicable Government rules had not been incorporated in the software by way of validation checks. As system functionality had not been used to enable automated checks to be performed against employees' entitlements, manual interventions in pay roll processing led to deficiencies as discussed in the subsequent paragraphs. It would be relevant to mention here that after the deficiencies were pointed out by Audit, the Department introduced additional validations.

### 3.2.7.1 Salary drawn for terminated employees

We observed that the business rule applicable for terminating the service of an employee in special circumstances had not been mapped into the system. The application provided an option for the DDOs to enter the employees' exit details under "EXIT" option. Once the employee was entered and approved in Exit details screen, the record was moved to history table. Data analysis showed that employees who had exited from service for various reasons like voluntary retirement, death, re-appointment, *etc.*, had been disbursed salary as of April 2013. The details are shown in **Table-3.12**.

**Table-3.12: Employees drawing salary after termination on special grounds**

Exit reason categorised in the table as	Reason	No. of Employees
A	Invalid on medical grounds	2
CR	Compulsory retirement	1
D	Death	5
RML	Removal	25
RP	Reversion in Probation	3
RS	Resignation	10
<b>Total</b>		<b>46</b>

(Source: HRMS database)

An exception report generated by the Department after the issue had been raised by Audit showed that there were 629 records in which employees' salary had been generated and approved after the exit date. Though there could be delay in recording exit after occurrence of event, cases pointed out by Audit are the ones where the DDO had already recorded 'Exit'. This is an application control issue because salary cannot be drawn once 'Exit' has been recorded.

The Government stated (November 2013) that in cases of resignation, death *etc.*, HRMS could not control the generation of the salary for those who were no longer in service since the details of occurrence of the events were external to the system. If the pay bill was generated before occurrence of the event or if there was delay in exiting the employee from HRMS, it could result in drawal of salary after the actual date of resignation or death. It was further stated that exception report had been sent to the departments concerned and reports being received from the DDOs indicated that recoveries were being made.

### 3.2.7.2 Irregular payment of House Rent Allowance

We found that in the case of 12438 records, employees occupying rent free quarters had been irregularly disbursed House Rent Allowance (HRA) amounting to ₹ 4.36 crore.

Data Analysis of the Pay Bill table for the month of April 2013 showed that 82 employees working in Bangalore had been paid HRA (₹ 3.06 lakh) in excess of their eligibility (30 *per cent* of the total of Basic Pay, Grade Pay and Personal Pay). We also observed that 2,99,634 records (56 *per cent* of the total records) did not have information on place of work of the employees, though it was relevant for regulating the HRA and City Compensatory Allowance



(CCA) at the rates applicable for the place of work. Though this field should have been made mandatory and mapped to the rates prescribed, the system, in the absence of appropriate validation checks, permitted the DDOs to enter the HRA amount manually.

After the issue was raised by Audit, an exception report for the entire State was generated by the Department. As per this report, while HRA had been drawn in excess of admissibility in 883 cases, HRA drawn was less than the stipulated rate in 1110 cases.

The Government stated (November 2013) that exception reports had been sent to the HODs concerned for verification and additional validations were being introduced in the system. It was further stated that the HODs had been directed to take necessary action for recovery and details of actual entitlements and recoveries were awaited from the field. It would be relevant to mention here that generating exception report is not the permanent solution to the problem which should have been addressed by mapping the business rules to the system. It is also imperative that Government employees from whom recoveries are due are flagged by the Department till the recovery is completed by the DDO.

### 3.2.7.3 Excess payment of City Compensatory Allowance

Absence of appropriate validations vis-à-vis prescribed rates for CCA (master data) also resulted in excess payment of CCA during September 2012 to April 2013 as shown in **Table-3-13**.

**Table-3.13: Details of excess payment of CCA**

Classification of cities/towns	Group to which Govt. Servant belonged	Prescribed monthly rate of CCA	Remarks
BBMP	C & D	₹ 350	104 employees had been paid CCA at a higher rate than prescribed. The excess payment worked out to ₹ 41852
	A & B	₹ 400	52 employees had been disbursed CCA at a higher rate than prescribed. The excess drawal aggregated ₹ 43302.
Belgaum Hubli & Dharwad Mangalore Mysore	C & D	₹ 250	82 employees had received CCA at a higher rate than prescribed. The excess drawal amounted to ₹ 27341
	A & B	₹ 300	25 employees had been paid CCA at a higher rate than prescribed, resulting in excess payment of ₹ 11656.

(Source: HRMS database)

The Government stated (November 2013) that while additional validations preventing the DDOs from selecting a city grade higher than that applicable for their headquarters were being introduced, exception reports had been sent to the HODs for taking necessary action.

#### **3.2.7.4 Allowances during Extra-ordinary leave**

Rule 171 (1) of Karnataka Civil Service Rules specifies that where a Government servant avails of Extra-ordinary Leave, he shall be entitled to draw HRA and CCA during the leave at the same rate at which he had been drawing this allowance before he proceeded on leave, if the period of Extra-ordinary Leave did not exceed four months. If the actual duration of Extra-ordinary Leave exceeded four months, he is eligible for HRA and CCA only for the first four months of such leave.

We observed that in eight cases HRA and CCA had been irregularly drawn for employees on Extra-ordinary Leave even beyond the fourth month of such leave. The Government stated (November 2013) that the DDOs had entered the Extra-ordinary Leave after generating salary. It was further stated that exception reports had been generated and sent to the concerned HODs to initiate appropriate action. The reply was not acceptable as the leave module had not been linked to the pay bill module and there were no validation checks guarding against entering leave details belatedly after disbursement of salary.

#### **3.2.7.5 Irregular deduction and non-deduction of GPF contribution**

Rule 3(i) of Karnataka General Provident Fund (Amendment) Rules, 2001 prescribes that subscription to the General provident fund shall be compulsory for Government servants (except Group 'D' employees) who had joined service before 1 April 2006. However, we observed that 32400 employees other than those belonging to Group D who had joined service before 1 April 2006 had not been contributing to GPF as this rule had not been mapped to the system.

Further, Rule 4 (1) of Karnataka General Provident Fund (Amendment) Rules, 2001 prescribes that the minimum rate of the monthly subscriptions payable by the subscriber shall be fixed as equal to 4 *per cent* of the average of the time scale of the pay of the post held by him. Rule 4 (2) *ibid* further provides that a subscriber may at his option, propose higher subscription subject to maximum of the basic pay of the post held by him. We observed that the software, in the absence of validation checks, had been allowing deduction towards GPF at rates less than the minimum or more than the maximum. While 70,000 records had values less than the prescribed rate of GPF contribution, eight records had values more than the prescribed rate of GPF contribution.

The Government stated (November 2013) that it was the duty of the DDO to deduct GPF and non-recovery of the GPF was a lapse on the part of the DDOs. The Government had also realised that many employees had not been contributing to GPF and had made (September 2013) it mandatory for all the non-Group D employees to have GPF account numbers. It was further stated that HRMS was creating Group-Post-Pay Scale master to address the issue of wrong pay scales entered by the DDOs and validations had been imposed in the system for deducting GPF at the prescribed rate and restrict the maximum GPF amount to the basic pay of the employee.



### 3.2.7.6 Professional Tax

Professional Tax (PT), inter alia, is to be deducted from the salary of the each employee at the following rates:

Monthly salary	PT amount to be recovered
₹ 10,000 to ₹ 14,999	₹ 150 per month
₹ 15,000 & above	₹ 200 per month

(Source: HRMS database)

Analysis of the pay bill data for the month of April 2013 showed that there were short recoveries towards PT. It was also seen that PT had not been deducted from the salary of 14280 employees. The Government stated (November 2013) that the deduction of PT had been made mandatory for all employees except those who were physically challenged or having a single child. In respect of 1480 employees where the PT had been short recovered, exception reports had been sent to the HODs concerned for initiating appropriate action. It would be relevant to mention here that the appropriate solution would be to update the database of employees who are physically challenged or having a single child and introduce validation checks exempting them from the purview of PT and making it mandatory for others.

### 3.2.7.7 Festival Advance

We observed that in many records, the balance outstanding Festival Advance was the same as the sanctioned amount without any deduction and in some cases, the number of balance installments was “minus”. After Audit pointed out these cases, an exception report generated by the Department showed that there were 320 cases where the total number of installments was zero. The Government stated (November 2013) that there was no provision in HRMS to cancel the sanctioned festival advance in the following cases:

- The DDOs generated the Festival Advance bill, but due to non-availability of grants, the Treasury had rejected the bill and Festival Advance was not paid, and
- DDO generated the FA bill, but received the cheque very late after the festival from the Treasury. The DDO, therefore, returned the cheque to the Treasury.

DDOs, therefore, made the total installments “zero” to avoid unnecessary deduction of installments from the employees’ pay bill. The Government further stated (November 2013) that a separate sub-module of Festival Advance Cancellation would be introduced and the cancellation would be initiated by the DDO and approved by the HOD. The Government further informed that a separate validation would also be enforced not to accept “zero” installments.

We further observed in the case of 25 employees that the Festival Advances sanctioned during 2007 to 2013 had remained unrecovered. The Government



stated (November 2013) that exception reports had been sent to HODs for verification and rectification. The reply would show that the system lacked the requisite validation checks to ensure mandatory recovery of Festival Advances.

### 3.2.7.8 Fixed Travelling Allowance

The rates of Fixed Travelling Allowance had been revised with effect from April 2012. Our analysis of the allowance table showed that there were 400 employees, not eligible for Fixed Travelling Allowance (FTA), who had drawn FTA during April 2013. This evidenced that the rule for regulating FTA had not been mapped to the system.

We further observed that while 26 employees had drawn FTA in excess of their eligibility, 842 employees had drawn less than the entitled FTA. The Government stated (November 2013) that FTA drawn by an employee might not match the amount defined in the FTA Rules as the employee was paid the allowance for the days he had worked during the month and after considering whether the employee had used official vehicle for performing official duties.

It was further stated that Allowance Master was being created in the system containing provision for exception transactions with the approval of the HOD. The Government also informed that the exception report had been sent to the DDOs/HODs for necessary action.

### 3.2.7.9 Uniform Allowance

The Government revised the rates of uniform allowance with effect from April 2012. In the case of Police Department, the revised rates were as shown in **Table-3.14:**

**Table-3.14: Revised rates of uniform allowance**

Name of the Post	Existing Rates	Revised rates
Superintendent of Police	Initial grant ₹ 2500	Initial grant ₹ 4000
Non IPS	Renewal grant ₹ 2000	Renewal grant
Deputy Superintendent of police	Once in 5 years	₹ 750 per annum
Police Inspector	Maintenance grant of ₹ 50 per month	Maintenance grant of ₹ 100 per month
Sub-Inspector of Police and Police Constable to Assistant Sub-Inspector	(i) Three pairs of Uniform to be given every year	No Change
	(ii) Maintenance grant ₹ 100 per month	

(Source: HRMS database)

Our data analysis of the Uniform Allowance paid for the month of April 2013 to the employees of the Police Department showed that the HRMS had not validated these rates and the application was allowing the user to input any amount for any cadre. The amount of Uniform Allowance paid ranged from ₹ 8 to ₹ 4,000 in the case of a Police Inspector who was eligible for ₹ 100 per month.



The Government stated (November 2013) that validations had been introduced in the form of Allowances Master to store the posts and the applicable eligibility amounts for the posts and exception reports had been sent to the HODs/DDOs for necessary action.

#### **3.2.7.10 Motor Car and Computer Advance**

We observed that Government servants had been sanctioned computer advance of ₹ 50,000 during 2007 and recoveries were still outstanding. We also observed minus balances and residuary balances relating to Motor Car and Computer Advances. After the issue was raised by Audit, the Department generated an exception report which showed that there were 5,148 instances where recovered amount was more than the sanctioned amount and another 6229 instances where the recovered amount was less than sanctioned amount.

The Government stated (November 2013) that the Advances Master Database would also store the maximum eligible amount of various advances and other parameters related to the advance and the recovery sub-module would validate the total amount of advance entered and the number of installments. It was further stated that the exception report had been sent to the Departments concerned for further action.

#### **3.2.8 Conclusion**

Transferring the legacy data to HRMS unscientifically rendered the database inaccurate and unreliable. Even after migration of data to HRMS, the data quality and design issues had not been addressed effectively by creating necessary masters and mapping the business rules in the form of validation checks. This created a need for manual intervention in payroll processing leading to wrong determination of the entitlements of the employees.

#### **3.2.9 Recommendations**

- The Government should encourage employees' participation in cleaning the incorrect personal information data through a web enabled interface. The masters can be updated on the basis of the information subject to necessary authorisation controls of DDOs/HODs.
- Instead of routinely generating exception reports as a method of addressing data integrity issues, the Government should strengthen the validation routines in the data entry system by mapping the business rules. Where mapping of business rules is difficult requiring manual intervention, appropriate authorisation controls should be put in place, and
- The Government needs to clarify the role of the Department and the DDOs with respect to the development, maintenance of the HRMS and the ownership and updation of the database.

## Labour Department

### 3.3 Functioning of Karnataka Building and Other Construction Workers' Welfare Board

#### 3.3.1 Introduction

The Government of India (GoI) enacted (August 1996) the Building and Other Construction Workers' (Regulation of Employment and Conditions of Services) Act, 1996 (Act) aiming at providing social security schemes and welfare measures for the benefit of building and other construction workers. The Act, *inter alia*, mandated constitution of a Building and Other Construction Workers' Welfare Board by every State Government to exercise the powers conferred under the Act. The GoI framed (November 1998) the Building and Other Construction Workers' (Regulation of Employment and conditions of services) Central Rules, 1998.

The Labour Department, Government of Karnataka, in exercise of the powers conferred under Section 40 and 62 of the Act, framed and notified (1 November 2006) the Karnataka Building and Other Construction Workers' (Regulation of Employment and Conditions of Services) Rules, 2006 (Rules, 2006) and constituted (18 January 2007) the Karnataka Building and Other Construction Workers Welfare Board (Board) under Section 18 of the Act for implementation of the Act/Rules, 2006.

The Board consists of the Labour Minister as Chairman, Principal Secretaries of the Labour, Public Works and Rural Development and Panchayat Raj Departments, Chief Inspector of the Labour Department nominated under Section 42(2) of the Act, representatives of building and other construction workers, and representatives of employers of construction and other building workers (four each). The Labour Commissioner is the Secretary and Chief Executive Officer of the Board and the District Labour Offices assist the Board in implementing the Act.

Audit scrutiny of records of the Board and 15 District Labour Offices in eight<sup>8</sup> districts selected by stratified simple random method, for the period 2008-13 was conducted (January to May 2013) to assess the adequacy and effectiveness of the Board in performing its statutory duties.

#### 3.3.2 Delay in framing rules/Constitution of Committees

- There was a delay of 10 years after enactment of the Central Act in notifying the Rules by the State Government which resulted in non-enforcement of various provisions of the Act up to 2006-07.
- As per Section 4 of the Act, the State Government is to constitute a Committee called the "State Building and Other Construction Workers'

<sup>8</sup> Bangalore (Urban and Rural), Chikballapur, Chikmagalur, Hubli, Mysore, Ramanagara, Raichur and Tumkur



Advisory Committee” to advise the State Government on such matters arising out of the administration of the Act as may be referred to it by the State Government. It was, however, seen that the State Government had not constituted the Advisory Committee yet.

- Section 5(1) of the Act envisages that the State Government may constitute one or more expert committees consisting of persons specially qualified on building and other construction work for advising the State Government for making rules under the Act. The State Government constituted an expert committee only in June 2012 more than five years after notification of the Rules, 2006 and the Committee’s advice had not been obtained before amending certain provisions in the Rules, 2006 on 1 February 2013.

Thus, the requisite institutional mechanism for advising the State Government on effective administration of the Act was either not in place or not functional.

### 3.3.3 Manpower management

Rule 27(c) provides that the Board may, subject to the approval of the State Government, make appointments subject to such terms and conditions of service as it may determine. Rule 27(b) empowers the Board to take employees from the State Labour Department on deputation for a maximum period of three years.

The State Government appointed (March 2007 and April 2007) (i) the Labour Officers (LOs) as the cess assessment and beneficiary registering officers and (ii) Senior Labour Inspectors (SLIs) and Labour Inspectors (LIs) as the cess collecting officers. These officers and officials belonging to the Labour Department were to perform the duties for the Board in addition to their regular charge. In November 2009, the State Government entrusted the duty of registering the beneficiaries also to SLIs and LIs.

Against 164 sanctioned posts of LIs, 34 (21 *per cent*) remained vacant for 1 to 16 months during November 2009 to March 2011. As of March 2013, 25 posts (15 *per cent*) remained vacant for 1 to 24 months. In sampled districts, 11 out of 45 posts of LIs had remained vacant during November 2009 to March 2011 and two remained vacant during April 2011 to March 2013. As a result, the registration of building and other construction workers under the Act suffered (as discussed in Paragraph 3.3.4.2).

Regarding the other officers and employees required for administration of the Act, the Board had not assessed the overall need but had been appointing officers and employees purely on adhoc basis without obtaining the approval of the State Government. In addition to the SLIs/LIs, 26 officials had been appointed during 2007-2013 to various posts in the Board. However, the Board had not obtained the approval of the State Government for 17 of these appointments in contravention of the Rules, 2006. Another 18 officials had been taken on deputation from the Karnataka Welfare Board without the approval of the State Government. Further, as of March 2013, the Board had hired 137 employees (Data Entry Operators and Executives) on contract basis



to carry out the work of data entry and processing of files in the district labour offices and the Board without obtaining the approval of the State Government.

Appointment of a large number of employees to whom an amount of ₹ 8.82 crore had been paid during 2008-13 without the approval of the State Government was irregular. Further, the draft Cadre and Recruitment (C&R) Rules of the Board had also been pending with the State Government since December 2010.

The Government stated (September 2013) that as and when C&R Rules was finalised, recruitment of staff would be done. It was further stated that staff had been hired through outsourcing after obtaining the Board's approval and Government's ratification for employing these staff would be obtained.

### **3.3.4 Functioning of the Board**

#### **3.3.4.1 Registration of employers**

Section 7 of the Act stipulates that every employer undertaking construction of establishments by engaging 10 or more construction workers shall make an application to the registering officer of the district for registration of the employer and the workers within 60 days from the commencement of the work. Rules 15 to 19 of the Rules, 2006 specify the manner and conditions of registration of the establishments/employers.

The Board had registered 2096 establishments in the State as of 31 March 2013. To ensure registration of all eligible employers, a formal mechanism ensuring linkages with the Government and planning authorities in the State undertaking and authorising construction activities was essential to identify the prospective employers and bring them under the purview of the Act. It was, however, seen that there was no such mechanism in the Board to identify the prospective employers. Further, Section 43 of the Act empowers the Inspectors to inspect the premises of any establishment where construction work is carried on. Such inspections are expected to, inter alia, identify the unregistered employers also. Though 1215 inspections of establishments had been carried out by the Board during 2007-13, the Board did not have information about how many unregistered employers had been identified during these inspections. Though Section 50 of the Act prescribes penalty for non-compliance with the provisions of the Act, the Board had not levied any penalty against the erring employers during 2007-13. Thus, the Board's efforts to bring all the eligible employers under the purview of the Act was poor.

The Government stated (September 2013) that Labour Officers were unable to visit all the construction sites and register the establishments as they performed many other functions in the Labour Department. It was further stated that the Government had directed (April 2013) the plan sanctioning authorities, local bodies, *etc.*, to ensure that all the contractors were registered under the Act and the Board was hopeful of registering more construction establishments.



### 3.3.4.2 Registration of beneficiaries

#### (i) Shortfall in achievement of targets for registration of beneficiaries

The Board had roughly estimated 15 lakh construction workers in the State during September 2007. Though the Board had been contemplating a survey of building and construction workers in the State to build a database, it dropped (January 2010) the proposal in view of the impending population survey by the GoI. However, the Board had not obtained the survey details from the GoI after the completion of the population census to identify the construction workers and build a database.

As of March 2013, only 2.70 lakh construction workers had been registered as beneficiaries under the Act. The year-wise details of registration of beneficiaries were as shown in **Table-3.15**:

**Table-3.15: Year-wise details of registration of construction workers**

Year	Cumulative number of beneficiaries registered	Percentage of registered workers to the total estimated construction workers
2007-08	33,952	2.26
2008-09	72,315	4.82
2009-10	1,01,709	6.78
2010-11	1,28,248	8.55
2011-12	1,90,254	12.68
2012-13	2,70,352	18.02

(Source: Board's records)

We observed that the Board had not fixed any target for registration of beneficiaries till August 2011, when the following monthly targets had been prescribed for each SLI/LI:

Institutional area	Target fixed
SLIs in Bangalore	100 registrations per month
SLIs/LIs in district offices	50 registrations per month
LIs in taluk offices	30 registrations per month

Details of registrations made by the SLIs/LIs in the State during September 2011 to December 2012 showed that against the target of 2.38 lakh construction workers, only 1.23 lakh (51 *per cent*), had been registered. A sub-committee<sup>9</sup> constituted (August 2009) to advise the Board on measures to be taken to expedite the registration of beneficiaries had recommended (September 2009) for nominating the Executive and Assistant Executive Engineers of Public Works Department, Bangalore Metro Rail Corporation Limited (BMRCL), Karnataka Industrial Area Development Board (KIADB), Bangalore Development Authority (BDA), Bangalore Metropolitan Region Development Authority (BMRDA), Bruhath Bangalore Mahanagara Palike (BBMP) and Zilla Panchayats undertaking several construction projects as registering authorities with the prior approval of these agencies. However, as of March 2013, only five Chief Engineers of BMRCL had been nominated as registering officers, resulting in continued poor registration of construction workers under the Act.

<sup>9</sup> consisting of Labour Secretary, Labour Commissioner, two members of the Board, Secretary of the Board



Thus, even six years after the formation of the Board, not more than 18 *per cent* of the estimated 15 lakh construction workers had been covered under the Act. The Government stated (September 2013) that it had directed (April 2013) the Government agencies, planning authorities, local bodies, *etc.*, to ensure registration of workers engaged on construction activities without which license would not be granted to contractors for construction.

**(ii) Awareness programmes**

Though the Board had decided (January 2010) to constitute six mobile teams in Bangalore with the objective of providing wide publicity about the activities of the Board, registration of beneficiaries and cess collection, only one mobile team was constituted in May 2010.

Against the budget provision of ₹ 3.25 crore relating to advertisement/publicity/training/seminar/workshops for the period 2008-09 to 2012-13, the Board utilised only ₹ 51.31 lakh (16 *per cent*). The Government stated (September 2013) that four major seminars and workshops had been conducted in Bangalore between February 2009 and September 2010, two to three workshops had been organised in many district headquarters and handbills, brochures, handbooks and posters, *etc.*, had been distributed besides distributing documentary films to all the districts. It was further stated that advertisements had been given in reputed newspapers and hoardings have been put up at several places in Bangalore. The reply is to be viewed in the light of the fact that these efforts did not yield the desired result of registering all building and construction workers in the State.

**(iii) Eligibility for continuing as a beneficiary not verified**

As per Sections 11, 12 and 14 of the Act, every building worker between 18 and 60 years of age engaged in construction work for not less than 90 days during the preceding 12 months is eligible for registration as a beneficiary under the Act and entitled to the benefits provided by the Board.

However, he shall cease to be a beneficiary on attaining the age of 60 years or when not engaged in a building or other construction work for not less than 90 days in a year. According to Section 13 of the Act, the Board is to give every beneficiary an identity card with his photo duly affixed thereon and every employer should enter in the identity card the details of work done by the beneficiary and the same is to be produced whenever demanded by any officer of the Government or Board.

We observed in the sampled districts that no space/provision had been made in the format of the worker's identity card devised by the Board for the employer to enter the construction work done by the beneficiary. Copies of the identity cards available in 1,708 sampled cases also did not contain any details of the work done by the beneficiaries. In Ramanagara district, 212 identify cards had not been distributed since 2008 as the beneficiaries had not collected them. There was no mechanism to verify whether a worker registered under the Act had worked for not less than 90 days in a year to become eligible for



continuing as a beneficiary. Thus, the Board failed to ensure compliance with the conditions prescribed in the Act for a building worker to continue as a beneficiary and become eligible for the benefits envisaged in the Act/Rules, 2006.

The Government stated (September 2013) that Audit observations would be followed up by proposing an amendment to the identity card and introducing a new format for renewal of beneficiaries.

### **3.3.5 Assessment, Collection and Remittance of Cess**

GoI had enacted (August 1996) the “Building and Other Construction Workers’ Welfare Cess Act, 1996” (Cess Act, 1996) for levy and collection of a cess on the cost of construction incurred by employees with a view to augment the resources of the Board and framed (March 1998) the Building and Other Construction Workers Welfare Cess Rules, 1998 (Cess Rules 1998). The State Government enforced the provisions of the Cess Act/Cess Rules with effect from January 2007.

#### **3.3.5.1 Delay in passing assessment orders**

Rule 6 of the Cess Rules 1998 stipulates that every employer should, within 30 days of commencement of his work or payment of cess, as the case may be, furnish to the assessing officer, information in Form-I regarding the estimated cost of construction and details of cess deposited. Rule 7 *ibid* empowers the Assessing Officer to scrutinise such information and make an order of assessment within a period not exceeding six months from the date of receipt of such information.

In 204 out of 275 sampled cases in eight districts, where the probable date of completion of construction as specified in Form-I had expired 1 to 65 months ago, the LOs had passed the assessment orders only in 44 cases (22 *per cent*) while periodical notices had been issued in 20 cases during February 2009 to February 2013 calling for details of completion and cost of construction. Notices had been issued in another 19 cases after delay ranging from three to four years after the probable date of completion of construction. In the remaining cases, the LOs had not taken any action to pass the assessment orders.

The Government stated (September 2013) that the Labour Officers were overburdened with other duties and responsibilities and suitable instructions would be issued to the assessing officers to pass assessment orders within the stipulated time.

Delay in passing of the assessment orders has delayed the recovery of cess due to the Board.

#### **3.3.5.2 Non-levy of interest for belated payment of cess**

Rule 4 of the Cess Rules 1998 and Section 8 of the Cess Act 1996 provide that the cess shall be paid within 30 days of completion of the construction project or within 30 days of the date on which assessment of cess is finalised,

whichever is earlier. For failure to pay the cess within the time specified, the employer shall be liable to pay interest on the amount to be paid at the rate of two *per cent* for every month or part of a month comprised in the period from the date on which such payment is due till the amount is actually paid.

In 27 out of 44 cases, where assessment orders had been passed, the construction activities had been completed long before the passing of the assessment order. However, no action had been taken to levy interest of ₹ 76.88 lakh for belated payment of the cess aggregating ₹ 2.58 crore. The Government stated (September 2013) that interest under Section 8 of the Cess Act was payable only in cases where the employer had failed to pay the cess amount within the time specified in the order of assessment. The reply was not acceptable as interest was leviable on the cess from the date on which it was due till the actual date of payment and cess was due in these cases within 30 days of completion of the construction though the assessment orders were passed belatedly.

### 3.3.5.3 Shortfall in collection and remittance of cess

The State Government directed (January 2007) all Government Departments/ Public Sector Undertakings and other Government agencies to deduct cess at the rate of one *per cent* of the cost of construction from the bills of the contractors and remit it to the Board within 30 days of making such payments.

It was observed in 23 offices that there was shortfall in collection of cess amounting to ₹ 2.04 crore during 2007-12 from the bills of contractors. The amount had remained unrecovered as of March 2013.

Our scrutiny of the cess collected and remitted by KIADB and BDA showed the following:

KIADB's accounts showed a liability of ₹ 3.23 crore towards labour cess as of 31 March 2011 evidencing that cess collected had not been remitted to the Board. Of this, only ₹ 2.14 crore (excluding collections made during 2011-12) was remitted during 2011-12. KIADB's liability towards cess increased to ₹ 14.85 crore as of 31 March 2012. As of March 2013, only ₹ 14.96 crore had been remitted by KIADB against cess of ₹ 32.91 crore collected, leaving a balance of ₹ 17.95 crore.

During 2007-13, BDA had also delayed the remittance of cess collected from the works bills to the Board as shown in **Table-3.16**:

**Table-3.16: Details of cess collected and remitted by BDA**

(₹ in crore)

Year	Cess collected	Period of remittance
2007-08	14.28	8/2007 to 9/2008
2008-09	21.21	2/2009 to 7/2010
2009-10	5.86	7/2010
2010-11	4.99	7/2010 to 6/2011
2011-12	11.05	7/2011 to 10/2012
2012-13	13.22	Only ₹ 4.26 crore had been remitted

(Source: Records of BDA)



There was no mechanism in the Board to ensure that the cess collected by the Government departments/public sector undertakings and other Government agencies had been promptly remitted to the Board's account. As the cess received by these agencies from the contractor's bills was to be remitted to the Board within 30 days of making payments, any delayed remittance of cess by these agencies attracted levy of interest. However, the Board had not taken any action to guard against persistent delayed remittance of cess by Government agencies or levy interest on such belated remittances. The Government stated (September 2013) that it was the primary responsibility of Government agencies to remit the cess collected to the Board without delay and assessing officers had been directed to monitor the cess collection and remittances in their jurisdiction.

#### **3.3.5.4 Non-realisation of cess**

The cess from the employers and fees/subscriptions from the beneficiaries were collected by the Board through online transfer to its SB account or cheques. The defective cheques were returned to the drawers through tappal returns (where the Board identified the defects and returned the cheques) and bank returns (where the bank identified the defects and returned the cheque to the Board for onward transmission to the drawer). Scrutiny of records showed that the cheques for ₹ 8.69 crore (₹ 2.72 crore tappal returns and ₹ 5.93 crore Bank returns) had been returned to the drawers during 2008-13.

No fresh cheques had been received from the drawers in these cases as of December 2012. As a result, ₹ 8.69 crore of cess due to the Board, had not been received by it.

The Government stated (September 2013) that correspondence had been made with the Departments/agencies concerned requesting for rectification of defects noticed in the cheques and Assessing Officers would take steps to recover the amount as arrears of land revenue in case of failure of these agencies to remit the cess.

#### **3.3.6 Implementation of welfare schemes**

A beneficiary registered under the Act submits the application in the prescribed format to the registering authority for availing of the benefits under the scheme. The Board, after sanctioning the claims, provides the financial assistance to the beneficiary by cheque/demand draft/online transfer.

The Board had disbursed ₹ 8.79 crore as of March 2013 in respect of 15,973 claims relating to nine<sup>10</sup> welfare schemes. We test-checked 1708 claims and found irregularities as discussed below:

<sup>10</sup> Loan for purchase of (tools) instruments (Rule 41), Assistance for delivery of a child (Rule 43), Assistance to meet the funeral expenses of a registered construction worker [Rule 44(1) and (2)], Assistance for education of son or daughter (Rule 45), Medical assistance (hospitalisation) to beneficiaries (Rule 46), Assistance towards accident resulting in death or permanent disablement (Rule 47), Assistance to unregistered building workers in case of death or injury (Rule 47A), Assistance of medical expenses for treatment of minor ailments



### 3.3.6.1 *Fake medical claims*

(i) In 13 test-checked cases, where the beneficiaries had undergone treatment in three hospitals in Bangalore, the Board had disbursed ₹ 6.08 lakh to the beneficiaries on the strength of medical documents submitted in support of the treatment received as in-patients. However, a joint inspection<sup>11</sup> of the records of these hospitals showed that in six cases, involving a payment of ₹ 3 lakh, the beneficiaries had not undergone treatment in these hospitals as in-patients. Evidently, these six claims were fake. Joint Secretary of the Board stated (May 2013) that action would be taken after obtaining reports from the registering officers concerned.

(ii) Labour Officer, I Division, Hubli produced to Audit records relating to only 48 out of 120 medical claims settled by the Board as of March 2013. Thirty-seven out of 48 claims were for reimbursement of hospitalisation expenses for treatment given by Primary Health Centre (PHC), Saunshi. However, we observed from the admission register of the PHC that in 37 cases, the beneficiaries had not been hospitalised though a payment of ₹ 0.74 lakh had been made to them for hospitalisation expenses.

(iii) In 114 cases (upto March 2013) pertaining to Bangalore (Urban and Rural Districts), the Board had sanctioned amounts for funeral expenses. Claims had been admitted in 76 of these cases on the strength of death certificates issued by the BBMP. However, the BBMP confirmed (May 2013) to Audit that the death certificates in 13 of these 76 cases were fake. The amounts disbursed by the Board in these 13 cases aggregated ₹ 2.47 lakh.

The Government stated (September 2013) that the Board would initiate action against the guilty by lodging police complaints and criminal cases subsequently.

### 3.3.6.2 *Benefits extended for the periods when the workers had ceased to be beneficiaries*

We observed in 147 out of 1,708 test-checked cases that the registered building and construction workers ceased to be beneficiaries during 2007-13 on account of continuous default in payment of subscription for more than a year. However, the membership had been resumed subsequently on payment of arrears of contribution with fine. After resumption of membership, the beneficiaries submitted claims relating to incidents that had occurred during the period when they had ceased to be beneficiaries. The Board irregularly processed these claims relating to seven welfare schemes and disbursed ₹ 16.85 lakh to the beneficiaries. The Government stated (September 2013) that when the membership was renewed, the beneficiaries were automatically eligible for benefits. The reply was not acceptable as in accordance with Rule

(Rule 48), Assistance for 1<sup>st</sup> marriage of registered construction worker or two dependent children (Rule 49)

<sup>11</sup> by Audit and the Deputy Labour Commissioner



21A of the Rules, 2006, payment of arrears of contribution would resume the membership of a beneficiary only prospectively, making them eligible for future benefits. It would not make him eligible for any benefit for incident that had occurred during the period when he ceased to be a beneficiary.

### **3.3.6.3 Improper sanction of benefits**

In 146 cases, the Board irregularly paid ₹ 74.79 lakh to the beneficiaries in violation of the Rules, 1996 as shown in **Appendix-3.5**.

### **3.3.6.4 Non-implementation of the scheme providing for insurance cover to workers**

As per Section 22 (1) (d) of the Act, the Board may pay such amount in connection with premium for group insurance scheme of the beneficiaries as it may deem fit. GoI had decided (September 2008) to extend the Rashtriya Swasthya Bima Yojana (RSBY) to construction workers and the State Government was to pay the premium to the insurance companies through the State nodal agency<sup>12</sup> from the fund collected under the Cess Act, 1996.

All the building and other construction workers, who had been registered under the Act, were eligible for the scheme. The validated data relating to building and other construction workers was to be provided to the State nodal agency by the Board in the prescribed soft and hard copy formats.

Though soft copy containing the details of 1.39 lakh beneficiaries registered with the Board had been furnished (between January 2012 and July 2012) to the State nodal agency, the scheme had not been implemented (March 2013) as the Board did not have the data of beneficiaries who had not defaulted in payment of subscriptions.

The Government stated (September 2013) that the issue of extending RSBY to the building and other construction workers was discussed by the Board which deferred the implementation due to opposition from the trade union representatives. Delay in extending RSBY deprived the eligible building and construction workers of the intended insurance cover.

## **3.3.7 Financial management**

### **3.3.7.1 Budgetary control**

According to Rule 31(1) of Rules 2006, the Board is to prepare budget estimate for every financial year on or before 31<sup>st</sup> January of the previous financial year and forward the same to the State Government for approval before 10<sup>th</sup> February. However, we observed that the Board delayed the preparation of the budget estimate year after year during the period 2008-13 and as a result, approval of the State Government had been given belatedly as in **Table-3.17**:

<sup>12</sup> Karnataka State Rashtriya Swasthya Bima Yojana Society, Bangalore

**Table-3.17: Delay in preparation of budget estimates**

Year	Date on which the Board sent the budget estimate to the State Government	Date of approval of the budget by the State Government
2008-09	4 August 2008	19 August 2008
2009-10	1 April 2009	30 May 2009
2010-11	2 March 2010	1 April 2010
2012-13 <sup>13</sup>	23 April 2012	22 May 2012

(Source: Board's records)

The Government stated (September 2013) that efforts would be made to prepare and submit the budget estimates in time.

### 3.3.7.2 Unrealistic budget estimates

The Karnataka Budget Manual 1975 stipulates that avoidable provision in the budget estimate is as much a financial irregularity as an excess expenditure over a sanctioned estimate and the estimation should be as close and accurate as possible. However, the Board had persistently under-estimated the receipts and over-estimated the expenditure during 2008-13, resulting in large savings year after year as shown in **Table-3.18**:

**Table-3.18: Savings during the years 2008-13**

(₹ in crore)

Year	Estimated receipts			Actual receipts			Estimated expenditure		Actual expenditure	
	Interest	Beneficiary Receipts	Cess	Interest	Beneficiary Receipts	Cess	Beneficiary Claims	Other expenditure	Beneficiary Claims	Other expenditure
2008-09	1.87	0.85	60.00	9.92	0.41	154.61	30.00	7.90	0.13	1.37
2009-10	33.25	0.08	144.00	23.83	0.61	227.39	5.00	10.94	0.36	2.53
2010-11	14.62	6.63	204.00	35.82	0.78	325.20	5.00	19.10	1.10	5.75
2011-12	39.27	3.00	300.00	99.27	1.35	360.62	5.00	36.01	2.91	5.43
2012-13 <sup>14</sup>	88.90	4.00	360.00	113.08	2.28	483.09	8.00	165.37	4.42	6.93

(Source: Annual Accounts)

While the excess receipts over the estimates during the period 2008-13 ranged from 32 to 163 *per cent*, the savings under expenditure ranged from 72 to 96 *per cent* during the same period. The Government stated (September 2013) that it was difficult to predict the receipts and expenditure and the number of beneficiaries under the various welfare schemes. The reply was not acceptable as, apart from cess collection, the estimated receipts from beneficiaries and interest were predictable, based on the trends of previous years. Similarly, the provision for beneficiary claims and other expenditure had been made in disregard of the past trends, resulting in huge savings year after year. Thus, the budget preparation exercise undertaken by the Board was flawed.

<sup>13</sup> During 2011-12, the budget estimate was submitted to the State Government on 29 January 2011.

<sup>14</sup> Provisional figures



### 3.3.7.3 Huge administrative expenditure

Section 24(3) of the Act prescribes that the Board shall not incur expenses towards salaries, allowances and other remuneration to its members, officers and other employees and for meeting other administrative expenses in excess of five *per cent* of its total expenses during that financial year. However, the Board had exceeded this limit and the administrative expenditure during 2008-13 constituted 30 to 54 *per cent* of the total expenditure as shown in Table-3.19:

**Table-3.19: Details of administrative expenditure and total expenditure**  
(₹ in crore)

Year	Administrative expenditure	Total expenditure	Percentage of administrative expenditure
2008-09	0.81	1.50	54
2009-10	1.33	2.89	46
2010-11	2.32	6.85	34
2011-12	2.62	8.34	31
2012-13	3.45	11.35	30
<b>Total</b>	<b>10.53</b>	<b>30.93</b>	

(Source: Annual Accounts)

Capital expenditure of ₹ 10.16 crore mainly on construction of the office building and miscellaneous expenditure of ₹ 1.33 crore during the same period accounted for another 37 *per cent* of the total expenditure. Thus, only 29 *per cent* (₹ 8.92 crore) of the total expenditure had been spent on welfare measures taken up by the Board for the building and construction workers. The Board stated (February 2013) that during its infancy, it was essential to grow in all spheres and recruitment of manpower and establishment of basic infrastructure was essential. The administrative expenditure was, therefore, higher compared to the subsequent years. The Government further stated that the number of registered workers and the benefits extended to them had been increasing.

The reply is to be viewed in the light of the fact that though the proportion of the administrative expenditure to the total expenditure had come down during 2009-11, it remained static during 2011-13 and was likely to remain so unless the Board registered all the estimated 15 lakh workers under the Act. This was unlikely to happen in the short-term due to inadequate number of registering officers and lack of initiative to create awareness among the workers about their entitlements under the Act.

### 3.3.7.4 Loss of Interest

Though the Board had opened 12 Savings Bank (SB) accounts with Canara Bank, transactions had been done mainly through two SB accounts<sup>15</sup>. The pass sheets of these two SB accounts for the period April 2011 to January 2013 showed that the average daily balance ranged from ₹ 4.56 crore to ₹ 11.25

<sup>15</sup> Operated for Administrative expenditure and cess receipts

crore during 2011-12 and ₹ 9.64 crore to ₹ 171.71 crore during 2012-13 (upto January 2013) in respect of one SB Account (cess receipt). In respect of the other SB Account (Administrative expenditure), the average daily balance ranged from ₹ 1.74 crore to ₹ 14.24 crore during 2011-12 and ₹ 1.34 crore to ₹ 23.93 crore during 2012-13 (upto January 2013).

Despite heavy surplus cash balances at the end of each day, the Board had not opted for investment of the surplus cash in Flexi or Multi-option Deposit, capable of generating higher interest at 4.5 *per cent* compared to 4 percent applicable for SB. As a result, the Board lost the opportunity of earning additional interest of at least ₹ 34.94 lakh. The Government stated (September 2013) that the flexi facility would be availed of in case of accumulation of surplus funds for 15 to 32 days in SB Account.

### **3.3.7.5 Non-realisation of cheques**

We observed that out of 2.99 lakh cheques deposited by the Board during 2007-13 with the bank, 518 cheques for ₹ 89.75 lakh deposited during April 2008 to September 2012 had remained unencashed as of March 2013. In addition, cheques for ₹ 8.95 lakh deposited by the Board with the bank during 2009-10 had been reportedly lost by the bank.

Though the Board had been routinely pursuing the matter with the bank, it took up the issue with the Banking Ombudsman only in April 2012. However, the Banking Ombudsman did not entertain (July 2012) the complaint as it had become time-barred. Thereafter, the Board sent (February 2013) a legal notice to the bank and the outcome was awaited (March 2013). Failure to follow up the matter promptly and effectively with the bank resulted in non-realisation of receipts of ₹ 98.69 lakh.

The Government stated (September 2013) that the matter was rejected by Banking Ombudsmen on grounds of delay. The reply was silent as to why the issue had been belatedly taken up with the Banking Ombudsmen.

### **3.3.8 Computerisation**

The Board appointed (June 2007) the Karnataka State Electronics Development Corporation (KEONICS) as a consultant to provide technical consultancy service for computerising the activities of the Board. The Board entrusted (September 2008) the software development (along with Interactive Voice Response System) to M/s.Arun Infotech Pvt. Limited (company) at a cost of ₹ 46.12 lakh. The company completed (August 2009) the software development in August 2009 at the agreed cost. Subsequently, the company carried out upgradation of the software on the basis of change requests given by the Board, for which the Board paid (February 2012) an additional amount of ₹ 38.30 lakh to the same company.



The software development by the company provided, inter alia, for on-line registration, on-line data retrieval, elimination of data duplication, cess module for tracking the cess collection, *etc.* However, the software had not become fully functional as the SLIs/LIs had not been provided with computers/laptops. Out of 41 computers provided to LIs, only 36 had internet connectivity. As a result, only the cess module had been partially used by the Board office in Bangalore to log in cess collection and generate reports relating to cess collection. The Government stated (September 2013) that it was a fact that many inspectors did not have computer systems and the data available in hard format required to be digitised. Admitting the delay in implementation, the Government stated that it would be done in another three months.

We further observed that the Board had entered into (June 2012) Annual Maintenance Contract (AMC) with KEONICS for a period of two years from 19 March 2012 to 18 March 2014. The AMC provided for payments of ₹ 14 lakh and ₹ 12 lakh for the first and second year of software maintenance which covered activities such as fixing bugs, changes in the software, software integration, version control *etc.* The Board had so far paid (April 2013) ₹ 15.76 lakh to KEONICS. As the software had not become fully functional, entering into a full fledged AMC contract with KEONICS lacked justification and the payment of ₹ 15.76 lakh failed to provide the expected value for money.

### **3.3.9 Internal Control**

#### **3.3.9.1 Meetings of the Board**

As per Rule 28 of the Rules, 2006, the Board shall meet at least once in three months or earlier as may be necessary. However, we observed that only eleven meetings (2006-07: 1, 2007-08: 1, 2008-09: 2, 2009-10: 2, 2010-11: 2, 2012-13: 3) were held by the Board. Hence, there was a shortfall of 14 meetings. It was seen that the Board in its meetings pointed out slow progress of registration of employers/beneficiaries and stressed for effective implementation and publicity of welfare schemes. However, the impact was not visible on the ground as evidenced by low registration level of construction workers.

#### **3.3.9.2 Internal Audit of records**

We observed that no internal audit wing had been set up in the Board and no internal audit had been conducted during 2008-13. The Government agreed (September 2013) to introduce a dedicated independent internal audit wing consisting of personnel not associated with the regular activities of the Board.

### 3.3.10 Disparity between Act and Rules

As per Section 22 (1) (b) of Act, the Board may make payment of pension to the beneficiaries who have completed the age of 60 years, whereas Rule 39 (1) of Rules, 2006 prescribes that every registered building or construction worker, who has completed 50 years of age or man worker who has completed 55 years of age, is eligible for pension. Thus, Rule 39(1) is not in tandem with the Act. The Government stated (September 2013) that the proposal to amend the Rule would be submitted to it by the Board for approval.

### 3.3.11 Conclusion

The State Government framed the Karnataka Building and Other Construction Workers (Regulation of Employment and Conditions of Services) Rules, 2006 and constituted the Karnataka Building and Other Construction Workers' Welfare Board for the welfare of the construction workers in the State. However, the Board had not been able to achieve its objective as the number of employers and construction workers registered with the Board was dismally low. The low registration level was attributable mainly to (i) inadequate efforts to create awareness among the construction workers of the benefits of registration, (ii) absence of linkages with the agencies responsible for giving approvals for construction activities to identify the employers and the workers and (iii) insufficient number of registering officers. While on the one hand the Board lost substantial revenue from cess collection on account of its inability to identify the employers, on the other, it had not been able to spend the available funds for the welfare of the construction workers as the number of construction workers registered with the Board was negligible. There were no adequate checks and balances in the Board on the implementation of the welfare schemes, resulting in several financial irregularities.

### 3.3.12 Recommendation

- The Board should take effective steps to bring all eligible employers and all eligible workers under the ambit of the Act by (i) establishing linkages with the agencies responsible for giving approvals for construction activities in the State, (ii) undertaking effective information, education and communication of the benefits of registration and the details of welfare schemes implemented by it and (iii) increasing the number of registering officers.
- The Board should put in place an effective internal audit mechanism to guard against irregularities in the implementation of welfare schemes.

The Government agreed to implement the recommendations of Audit.



## Medical Education Department

### 3.4 Pradhan Mantri Swasthya Suraksha Yojana

#### 3.4.1 Introduction

The national project of Pradhan Mantri Swasthya Suraksha Yojana (PMSSY), approved in March 2006 by the Government of India (GoI), aimed at correcting the imbalances in the availability of affordable healthcare facilities in different parts of the country in general, and augmenting facilities for quality medical education in the under-served States in particular. As Bangalore Medical College and Research Institute (BMCRI)<sup>16</sup> had plans to commence Post-Graduate courses in Neurology, Cardiology, Plastic Surgery, Pediatric Surgery, Surgical Gastroenterology and Endocrinology, construction of a Super Speciality Hospital with a Nursing College and Hostel (SSH) and procurement of equipment at a cost of ₹ 120 crore (GoI contribution: ₹ 100 crore and State contribution: ₹ 20 crore) had been sanctioned by the Ministry of Health and Family Welfare, GoI (Ministry) under PMSSY. The Ministry had awarded (September 2006) the Project Consultancy and execution of the entire upgradation works to Hindustan Latex Limited (HLL)<sup>17</sup>. While funds were released directly by GoI to HLL for construction of SSH, high-end common equipment were to be supplied by GoI through HLL. The responsibility for procurement of low end equipment had been given to BMCRI for which GoI had provided ₹ 2.21 crore out of its share.

#### 3.4.2 Organisational set-up

The Governing Body consisting of nine ex-officio members with the Minister for Medical Education as the Chairman and the Secretary, Health and Family Welfare (Medical Education) as the Vice-chairman was responsible for taking decisions on the working of BMCRI. The Director-cum-Dean of BMCRI was the Chief Executive Officer of SSH.

#### 3.4.3 Audit scope and methodology

Audit of the records of BMCRI relating to implementation of PMSSY was conducted between March and May 2013. Audit findings are discussed in the succeeding paragraphs.

#### 3.4.4 Funding pattern of PMSSY

The various components financed by PMSSY, their original share of the project cost of ₹ 120 crore and the final expenditure as of January 2013 are shown in **Table-3.20**:

<sup>16</sup> BMCRI is a society registered under the Karnataka Society Registration Act, 1960 and entrusted with the responsibility of administration of Bangalore Medical College, Victoria Hospital, Bowring and Lady Curzon Hospital, Vani Vilas Women and Childrens' Hospital and Minto Ophthalmic hospital at Bangalore.

<sup>17</sup> A Government of India enterprise

**Table-3.20: Project cost and expenditure under different components**

(₹ in crore)

Component	Initial project cost	Final expenditure
<b>GoI share</b>		
Civil works	43.07	53.50
Equipment	46.93	40.06
Consultancy	10.00	6.05
<b>State Share</b>		
Construction of Emergency, casualty and Trauma Care Centre	12.00	20.00
Construction of tower blocks for specialities at Victoria Hospital	8.00	
<b>Total</b>	<b>120.00</b>	<b>119.61</b>

(Source: Information furnished by BMCRI)

The State Government had accorded (August 2006) administrative approval for taking up various works to increase the patients' intake capacity of Victoria Hospital and Bowring and Lady Curzon Hospital at a cost of ₹ 90 crore. These works, which were to be financed out of the State budget, had included a Trauma Care Centre and tower blocks estimated to cost ₹ 20.35 crore. These two works had also been taken up for execution during January 2007. Instead of bringing in additional resources towards its contribution, the State Government projected (August 2006) to the Ministry these works already sanctioned (August 2006) under the State budget as its contribution to PMSSY.

#### **3.4.4.1 Reduced allocation for equipment**

The increase in cost of civil works was due to price adjustment paid as per the contract, increase in depth of foundation and quantity of reinforcement steel, increase in the provision for ducts, fire doors, rising main and electrical works, provision of solar water heating system for nursing hostel *etc.* The increase in cost of civil works resulted in downward revision of the allocation for procurement of equipment. Out of ₹ 40.06 crore finally allocated for equipment, GoI had released (December 2008) ₹ 2.21 crore for procurement of low end equipment directly to BMCRI which placed orders for these equipment during July 2009 and December 2010. Out of the remaining ₹ 37.85 crore allocated by GoI for equipment, HLL had arranged supply of equipment costing only ₹ 34.09 crore as of January 2013. Against the unspent allocation of ₹ 3.76 crore, the Ministry had approved (January 2013) the proposals of HLL for purchase of 50 monitors at a cost of ₹ 2.00 crore. Operation Tables for the SSH had been supplied against the remaining unspent allocation only in August 2013.

#### **3.4.5 Super Speciality Hospital not fully functional despite huge investment**

We observed that the original project proposal submitted to the Ministry had left out the equipment required for the Departments of Cardio Thoracic Vascular Surgery and Neuro Surgery and the allocation made by GoI did not, therefore, cover these equipment. The State Government submitted (April 2009) a fresh proposal to the Ministry seeking additional funds of ₹ 41.66 crore for procuring the equipment not included in the original proposal.



However, the Ministry did not release any additional funds as the maximum share of GoI was only ₹ 100 crore. The State Government/BMCRI did not plan any additional resource mobilisation to procure the equipment not covered by PMSSY.

As the Ministry had reduced the already inadequate allocation for equipment to ₹ 40.06 crore, the State Government conveyed (January 2008) to the Ministry its readiness for providing additional funds of ₹ 6.79 crore to bridge the gap in funding. The additional funds were to be utilised for computerisation (₹ 1.93 crore), purchase of low end equipment (₹ 3.57 crore) and high end equipment (₹ 1.29 crore). Accordingly, the State Government had released ₹ 6.79 crore to BMCRI in March 2010. However, BMCRI, instead of procuring equipment out of these funds, parked the amount initially in a Savings Bank (SB) account and subsequently invested ₹ 6 crore out of this in Fixed Deposit (FD) only during March 2012. The amount of ₹ 6 crore continued to remain invested in FD as of March 2013. Thus, ₹ 6.79 crore released by the State Government had not been spent for the intended purposes although there was need for these equipment. Further, parking the funds in SB account till March 2012 which fetched interest of only 4 *per cent* per annum against interest potential of 9 *per cent* per annum from investment in FD, resulted in loss interest of ₹ 78 lakh.

Though civil works for the SSH had been completed in July 2010, power supply for the SSH was obtained only in February 2011. Thereafter, the State Government had sanctioned 317 posts (medical staff:30, paramedical: 236 and other staff: 51) exclusively for the SSH only during May 2011 (313 posts) and June 2012 (four posts). Against these posts, only 182 nurses had been appointed during July 2012 and the SSH commenced its operations in August 2012 without dedicated medical, para medical and support staff. The SSH had been managed by medical and paramedical staff drawn from other hospitals under the control of the BMCRI which adversely affected the working of the lending hospitals which were operating with only 57 *per cent* of the medical and para-medical sanctioned staff when compared to the norms prescribed by the Medical Council of India.

Even after the SSH became functional in August 2012, equipment required for various wings of the SSH had not been procured. Though funds of ₹ 6.79 crore released by the State Government would have helped BMCRI bring down the shortage of equipment to some extent, the funds had continued to remain unspent for more than three years and BMCRI had not furnished any reasons for non-utilisation. We observed that the Departments of Neurosurgery, Plastic Surgery, Surgical Gastroenterology and Pediatric Surgery had not become operational in the SSH as the Operation Tables had been supplied only in August 2013 and these were yet to be installed. Out of ₹ 34.09 crore spent on equipment supplied by GoI through HLL so far, equipment costing ₹ 21.88 crore (64 *per cent*) had been supplied for strengthening the departments of the already existing four hospitals under the control of BMCRI instead of the newly constructed SSH. Out of ₹ 2.21 crore released by GoI to BMCRI for procurement of low end equipment also, ₹ 1.27 crore (57 *per cent*) had been spent on equipment procured for the existing hospitals.



Similarly, though infrastructure had been created in the SSH for a laboratory and X-ray room, the laboratory had been idle due to non-procurement of equipment required for its functioning while the X-ray room had been used for storing drugs.



X-ray room stored with drugs  
(29 April 2013)



Idle Laboratory building with infrastructure  
(29 April 2013)

Further, though envisaged, no separate Water Treatment Plant, Boilers, Kitchen, Laundry *etc.*, had been established exclusively for the SSH.

Thus, even after investing ₹ 53.50 crore on civil works of the SSH, it had not become fully operational as all the facilities required for its optimal functioning in terms of dedicated staff, equipment *etc.*, had not been provided.

#### 3.4.6 Utilisation of equipment supplied under PMSSY

We observed instances of equipment supplied by GoI not being put to use, as discussed below:

- Although the SSH became operational only with effect from 18 August 2012, HLL had arranged supplies of equipment valued at ₹ 12.01 crore between January 2009 and April 2009. These equipment had been stored in Victoria hospital for more than 39 months without being put to use. In the meanwhile, batteries of 28 high end ventilators and 26 Pulse Oximeters (cost: ₹ 3.23 crore) supplied during April 2009 had drained out. As of September 2013, 18 high end ventilators and 20 Pulse Oximeters remained non-functional. Further, two Anesthesia Work Stations (cost: ₹ 48.39 lakh), supplied during April 2009, required major repairs. As the warranty period of two years reckoned from the date of supply had already expired, the supplier offered to repair or replace the worn out parts only if the cost thereof was borne by the SSH. Though the SSH requested (August 2012) HLL to convince the supplier to replace the dead batteries and other worn out parts of the equipment, the equipment costing ₹ 3.71 crore had not been repaired and put to use (September 2013).
- Similarly, in the case of a 36 channel Polysomnography unit (cost ₹ 7.12 lakh) meant for sleep recordings installed in Victorial Hospital during October 2009, discrepancies in the autoscoring done by the software had been noticed (February 2010) by the hospital. Though BMCRI had written (February 2011) to HLL to arrange to rectify the software defects, no action had been taken by HLL so far (April 2013).
- One Side Viewing Duodenoscope (cost: ₹ 22.55 lakh) and two Endoscopy Complete Systems-Upper and Lower GI Endoscopes (cost: ₹ 1.23 crore) had been supplied (January 2010) to Victoria Hospital under PMSSY. BMCRI reported to the Ministry (February 2011), based on the report of



the Head of the Department of Gastroenterology, that equipment procured were not of the standard to be used in a super speciality hospital and the service provided by HLL was average. HLL, while replying to our observations through BMCRI, stated (January 2013) that they should not be held responsible for supplying equipment which might not be as per the requirement of BMCRI as the technical specifications had been firmed up by the Ministry and technical evaluation had also been done by technical experts nominated by the Ministry. It may be mentioned here that BMCRI had not raised any objection when the GoI had frozen the list of equipment to be supplied to the SSH under PMSSY. Instead, it raised concerns about their unsuitability after their receipt.

### 3.4.7 Excessive power supply contracted for SSH

BMCRI obtained power supply to the SSH from Bangalore Electricity Company Limited (BESCOM) during January 2011. The requirement of power had been assessed at 1900 KVA on the basis of department-wise installations that would be in place when the SSH became fully functional. However, as the SSH had not become fully operational, the power utilisation ranged from 60 KVA to 686 KVA during July 2011 to January 2013 though minimum demand charges (₹ 100 per KVA) had been paid by the SSH for 75 *per cent* of the contracted demand of 1900 KVA, resulting in an avoidable expenditure of ₹ 17.10 lakh till March 2013. While replying to our observation HLL, through BMCRI, stated (April 2013) that as the SSH had not become fully functional, BMCRI needed to take suitable steps as deemed fit to curtail the demand without hampering the normal functioning of the hospital. Thus, though the sub-optimal functioning of the SSH was within the knowledge of BMCRI, it failed to obtain the requisite sanction for power in a staggered manner, resulting in wasteful expenditure of ₹ 17.10 lakh.

### 3.4.8 Conclusion

The construction of SSH and purchase of equipment under PMSSY witnessed lack of planning and due diligence, resulting in (i) procurement of equipment far ahead of construction of the SSH, (ii) non-procurement of all the essential equipment required for all the departments of the SSH and (iii) non-recruitment of the requisite medical, paramedical and other support staff. The implementation of PMSSY did not result in the delivery of expected better healthcare facilities due to acute shortage of medical and paramedical staff and lack of essential equipment. No benchmarks had also been prescribed to judge the outcome from the implementation of PMSSY.

### 3.4.9 Recommendations

- The State Government needs to allocate funds for procuring all essential equipment required for effective functioning of the SSH.
- Urgent action needs to be taken to put to use the idle equipment and fill up the vacancies of doctors, paramedical and other support staff in the SSH.

The matter was referred to Government in August 2013; reply has not been received (December 2013).



### 3.5 Unjustified payment of consultancy charges

**Bangalore Medical College and Research Institute awarded a consultancy contract in contravention of the Karnataka Transparency in Public Procurement Rules 2000 and ended up paying consultancy charges for ₹ 42.43 lakh which lacked justification and was largely avoidable.**

Under the national project of Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) approved by Government of India (GoI) in March 2006, the Bangalore Medical College and Research Institute had constructed a Super Speciality Hospital (SSH) and procured equipment for the SSH at a cost of ₹ 120 crore<sup>18</sup>. The SSH became functional with effect from 18 August 2012.

In a meeting held (August 2011) under the Chairmanship of Principal Secretary, Medical Education, it had been decided to entrust the work of overall maintenance of SSH including operation and maintenance of utility services, housekeeping, security, fire fighting *etc.*, to Hindustan Lifecare Limited<sup>19</sup> (HLL) as they had rich experience in the field, having rendered such services in Jawaharlal Institute of Postgraduate Medical Education and Research, Puducherry and Medical College, Thiruvananthapuram. Accordingly, BMCRI entrusted the consultancy services for providing staff required for operation and maintenance of SSH to HLL for the period March 2012 to March 2013.

The Karnataka Transparency in Public Procurement Rules, 2000 (as amended in September 2003) (KTPPR) permit single source selection for consultancy services only in exceptional circumstances where

- the assignment represents a natural or direct continuation of a previous one and the performance of the incumbent consultant has been satisfactory;
- a quick selection of the consultant is essential (e.g., in emergency operations such as natural disasters and financial crisis);
- the contract is very small in value (less than ₹ 5 lakh for consulting firms); and
- only one consultant has the qualifications or has experience of exceptional worth to carry out the assignment.

None of these conditions had been satisfied in the award of contract to HLL which was thus in contravention of the provisions of KTPPR.

HLL invited tenders for fixing agencies to provide these services and awarded the works to three agencies which had submitted lowest bids. To a query as to how the percentage of 23.75 had been determined for the consultancy charges paid to HLL, BMCRI stated (August 2013) that the charges had been paid as per the rates of the Central Public Works Department (CPWD) for maintenance works. The reply was not acceptable as 23.75 *per cent* prescribed in CPWD Code was Departmental Charges to be levied by CPWD for construction and maintenance works undertaken on behalf of other

<sup>18</sup> Central Share ; Rs 100 crore and State share : Rs 20 crore

<sup>19</sup> A GoI enterprise



indenting departments. The Departmental Charges consisted of Establishment Charges at 22.50 *per cent* (for preparation of sketches, working drawings, preliminary and detailed estimates, structural designs and execution), Tools and Plant at 0.75 *per cent*, Audit and Account at 0.25 *per cent* and Pensionery Charges at 0.25 *per cent* of the cost of the works executed. This provision of CPWD Code was not applicable as the HLL's role was limited to finalising tenders for the outsourced work and overseeing the performance of contracts. We further observed that BMCRI itself had been outsourcing the operation and maintenance (O&M) of other four hospitals under its control after inviting e-tenders and the same could have been done for the SSH also. It would be pertinent to mention that BMCRI itself outsourced the operation and maintenance functions of the SSH for the year 2013-14 without engaging any consultant. The payment of consultancy charges of ₹ 42.43 lakh to HLL, therefore, lacked justification and was avoidable.

The matter was referred to Government in August 2013; reply has not been received (December 2013).

## Home Department

### 3.6 A non-viable training school abandoned midway

**The Government approved the establishment of an Armed Police Training School. After incurring expenditure of ₹ 5.32 crore, the work on the school was stopped midway and the use of the buildings constructed had not been decided.**

The Government had approved (November 2007) a project for establishment of an Armed Police Training School at Hoovinahadagalli, Bellary District at a cost of ₹ 16.40 crore for providing training to police personnel at various levels and released ₹ 6 crore (₹ 3 crore in February 2008, ₹ 1 crore in September 2008 and ₹ 2 crore in September 2008) to the Karnataka State Police Housing Corporation (KSPHC). After incurring expenditure of ₹ 4.21 lakh, the Government shifted (June 2009) the project location to Meenahalli in Bellary District. The Deputy Commissioner, Bellary (DC) allotted (August 2009) 86.16 acres of land to the Home Department on the left bank of river Hageri for the purpose. The KSPHC invited (October 2009) tenders initially for construction of administrative block, Principal's residence and residences for two Deputy Superintendents of Police at an estimated cost of ₹ 5.05 crore. KSPHC entrusted (April 2010) the work to a contractor for ₹ 4.72 crore with stipulation for completion by November 2011.

The estimates for the buildings had been framed on the basis of initial geo-technical investigations done through a consultant who was paid ₹ 8.52 lakh. Subsequently, KSPHC got the geo-technical report reviewed by another consultant during November 2009. The review highlighted that the initial investigations had been grossly inadequate and the number of trial pits dug and tests carried out was far less than required. As the soil was loose to medium dense silty-sand followed by clayey sand and occasional stiff clay,



remedial measures were suggested by the consultant. KSPHC forwarded (June 2011) the revised estimate for ₹ 70 crore for the project for Government's approval.

The Director General of Police (DGP), Training after inspection of the site reported (September, 2011) to the Government that the site was not at all suitable for establishing the training school for the following reasons:

- The soil was loose and sandy up to a depth of 20 feet and its bearing capacity was low requiring more expenditure to be incurred for foundation of the structures. The estimated cost of ₹ 70 crore was very high compared to ₹ 30 crore per school earmarked for augmentation of the training capacity under the 13<sup>th</sup> Finance Commission grants;
- The distance between the proposed training school and Bellary city was about 18 kms and to access the site, one had to pass through a village with narrow and uneven roads for at least 3 kms. It would be very difficult for the children of the staff to commute between the school premises and the educational institutions in Bellary; and
- The site was located within six kms from the naxal affected area in Andhra Pradesh. As the training school would have armoury, attacks by naxals could not be ruled out.

DGP (Training) also suggested that the buildings already completed (June 2013) at the project site be used for establishing a school or Primary Health Centre to cater to the needs of the local population. The Government dropped (March 2012) the project as recommended by the DGP (Training) and directed that the works already taken up be completed and made use of for establishing a school or hostel or for other purposes. Expenditure of ₹ 5.32 crore had been incurred on the buildings which had been completed (June 2013). The Government was yet to decide upon the utility of the building (September 2013).

The inadequate initial geo-technical investigation understated the cost of the project. As the review of the geo-technical report had been done in November 2009 itself, far ahead of the award of work relating to construction of buildings in April 2010, the Department had the opportunity to revisit the project and drop it on grounds of high cost. However, the Department proceeded with the work. The other reasons cited by the DGP (Training) could have been foreseen even at the stage of allotment of land by the DC in August 2009. A non-viable project was, therefore, taken up for execution due to lack of due diligence, resulting in investment of ₹ 5.32 crore on buildings which could not be used for the intended purposes.

Government stated (November 2013) that the proposals made by the Director General and Inspector General of Police during October 2013 to hand over the land of 86.16 acres along with the buildings to Agricultural University was under examination and the expenditure would not be rendered wasteful. The



reply was not acceptable as the objective of the project was to establish an Armed Police Training School. Utilisation of the assets already created for other than the intended purpose was an afterthought and the expenditure on the project could have been avoided if there had been due diligence before taking up the project.

### **3.7 Boats procured failed to enhance the disaster management capability**

**Boats procured for disaster management had inherent weaknesses making them unsuitable for deployment in a disaster situation. Consequently, the investment of ₹ 76.08 lakh failed to provide the expected value for money.**

On the basis of a proposal from the Director General of Police, Commandant General, Home Guards and Director, Civil and Defence (DG), the Government had accorded (July 2009) approval for procurement of 20 fibre glass boats fitted with 40 HP Outboard Motors (OBMs) at a cost of ₹ 1.14 crore (₹ 5.70 lakh each) for deployment in the flood prone districts of the State. However, after informing the Government, the Department purchased (March 2010) 10 larger boats fitted with 75 HP OBMs at a cost of ₹ 76.08 lakh, based on the experience that small boats fitted with motors of lesser horse power were not able to maneuver in strong currents witnessed during the floods of 2009. The Department distributed (June 2010) eight boats to eight<sup>20</sup> district offices and retained the remaining two boats at Bangalore for training purposes. However, the district offices did not use these boats and requested (May 2011 to September 2011) the Directorate to take them back citing the following reasons:

- The boats were not suitable for use as these required deep water for navigation ;
- Mobility of the boats from one place to another was difficult as these were large, requiring cranes and trolleys for transportation;
- The boats were difficult to use in river in view of the big boulders present in the river course; and
- The offices did not have space to park these boats which were difficult to maintain.

In view of these difficulties, the Secretary, Home Department re-allotted (June 2011) the boats to three Departments<sup>21</sup> as these could be used only in floods of high magnitude and such occasions were very few. According to a report sent by the DG to the Government in April 2013, the Departments to which the boats had been re-allotted, did not evince any interest in taking possession of these for reasons best known to them and the Home Department had decided to maintain the boats in the district offices for utilisation during

<sup>20</sup> Bagalkot, Bellary, Dakshina Kannada, Mandya, Mysore, Shimoga, Udupi and Uttara Kannada

<sup>21</sup> Three to Coastal Police Force, four to Tourism Department and one to Irrigation Department

exigencies and make these available to the district administration as and when the occasion warranted. It was further reported that the remaining two boats were being utilised regularly to impart training to the Home Guards. The Government endorsed (August 2013) the DG's report of April 2013 to Audit.

Thus, the boats procured to provide prompt response to any threatening disaster warranting immediate evacuation, rescue and relief had failed to upgrade the disaster management capability or disaster preparedness of the Department. Even the training imparted with the two boats was unlikely to provide any value addition to the existing disaster management capability as the chances of using such boats are remote. The investment of ₹ 76.08 lakh on these boats had failed to provide the expected value for money.

The matter was referred to Government in April 2013; reply has not been received (December 2013).

## Housing Department

### 3.8 Undue benefits to a lessee

**The Karnataka Housing Board failed to manage the lease of a prime property which resulted in the lessee occupying the property for more than six years after the expiry of the lease period without paying arrears of rent and interest thereon aggregating ₹ 2.68 crore.**

The Karnataka Housing Board (Board) had leased (February 1987) 4380 square metres of vacant land in Yelahanka New Township, Bangalore to Indian Oil Corporation (IOC) for a period of 20 years. According to the lease agreement, IOC was to pay a monthly rent of ₹ 1000 for a period of three years and the rent was to be revised after three years on the basis of mutual agreement. Files relating to the lease were available in the Board only from April 1999. According to information available in the files, the lessee had been paying a rent of ₹ 6000 per month from April 1999 and the details such as when the lease rent had been enhanced from ₹ 1000 to ₹ 6000 per month and when the next revision was due were not available with the Board. The lessee continued to pay the lease rent of ₹ 6000 per month till the expiry of the lease in February 2007.

As the lease agreement prescribed revision of rent after three years, it implied that any revision after the initial period of three years should be in the short-term to ensure that the rental reflected the market rates. However, the Board failed to manage the lease as evidenced by the ignorance of the Board about the developments in this case till the expiry of the lease in February 2007. This facilitated payment of rent of only ₹ 6000 per month by the lessee for the prime property till the expiry of the lease.

As per the lease agreement, the lessee was not to assign, sub-let or underlet<sup>22</sup> the leasehold property without the written consent of the Board. When the

<sup>22</sup> To lease as by one himself a tenant to another



Board directed (January 2007) the lessee to vacate the leasehold property on expiry of the lease period, the lessee requested (February and September 2007) for extension of the lease period for a further period of 20 years on the ground that it had sub-let the leasehold property to a dealer for running a petrol bunk under the social objective category and the dealer had made huge investment on developing the petrol bunk. The action of the lessee was in contravention of the lease agreement as the Board's consent had not been taken before the land was allotted to the dealer. It was further seen that only the sub-lessee had been paying the lease rentals to the Board during the lease period. However, the Board did not enquire as to why IOC had not been paying the lease rentals. Had this been done, the Board would have come to know that IOC had unauthorisedly sub-let the property to the dealer.

The Board resolved (July 2007) to take possession of the land valued at ₹ 9.43 crore<sup>23</sup> and dispose it of through public auction. The Board tried to secure its property with police protection in October 2008. However, it did not proceed with the eviction as per the telephonic instructions received from the office of the Minister for Housing. Thereafter, the Board reversed its decision of July 2007 and approved (October 2012) renewal of the lease for a period of ten years with effect from February 2007 subject to fixation of the rent as per the Public Works Department (PWD) norms for the period February 2007 to October 2012 and regular revision thereafter. The lessee had neither executed the lease agreement for the extended period of the lease nor paid any rent from February 2007 (May 2013).

The Board stated (December 2012) that the PWD had recommended a monthly rent of ₹ 2.35 lakh for the property and that it would initiate action to recover the arrears of rent from the lessee. The reply is to be viewed in the light of the fact that the sub-lessee had continued to use the prime property for commercial purposes without payment of rent for more than six years after the expiry of the lease period in February 2007 and the Board failed to take any effective action either to vacate the lessee or realise the arrears of rent. A joint inspection of the leasehold property by Audit and Assistant Executive Engineer, Yelahanka Sub-Division during July 2013 showed that a State Bank of India's ATM had been functioning in a part of the leasehold premises.



ATM functioning in leasehold premises

<sup>23</sup> The value rose to ₹ 15.73 crore as per the guidance value fixed by the Department of Stamps and Registration in September 2011



This was in breach of the condition of lessee prohibiting sub-letting the leasehold property without the written consent of the Board. Thus, the Board's reversal of its earlier decision was gratuitous considering that the lessee had violated the conditions of lease and had been using the property for commercial use by paying a monthly lease of only ₹ 6000 per month. The sharp increase in the monthly rent from ₹ 6000 to ₹ 2.35 lakh was also reflective of the under-realisation of the lease rentals till February 2007, the steep appreciation of the value of the property over a period of time, and the benefit extended to the lessee due to failure of the Board to revise the rent periodically.

The arrears of rent to be recovered from the lessee as of May 2013 aggregated ₹ 1.81 crore<sup>24</sup>. As per the original lease agreement, the lessee was to pay interest calculated at the rate of 11.5 *per cent* per annum on arrears of rent. The interest recoverable from the lessee on arrears of rent of ₹ 1.81 crore worked out to ₹ 87.54 lakh. Thus, the Board was yet to recover ₹ 2.68 crore from the lessee which continued to utilise the Board's property unauthorisedly. The various lapses of the Board evidenced poor management of the leases, resulting in undue benefit to the lessees/sub-lessees.

The matter was referred to Government in June 2013; reply has not been received (December 2013).

### 3.9 Unallotted Ashraya houses in poor condition

**The Ashraya Colony comprising 390 houses constructed at a cost of ₹ 1.93 crore remained unoccupied due to delay in providing underground drainage facilities, depriving the beneficiaries of housing facilities. Continued neglect of these houses and sub-standard quality of construction resulted in the walls and roofs of many houses collapsing, rendering these houses unfit for human habitation.**

Under the Urban Ashraya Housing Scheme (scheme), the Government provides housing facilities to Economically Weaker Sections (EWS) in urban areas. Deputy Commissioner, Mangalore (DC) had purchased (March 2001) 9.28 acres of land in Sy.No.131 of Ullal village in Dakshina Kannada district from a private party at a cost of ₹ 95.15 lakh for construction of 390 Ashraya houses. Subsequently, the DC had released (December 2001 to May 2003) ₹ 99.25 lakh to Town Municipal Council (TMC), Ullal for construction of these houses.

While the work was in progress, the residents of Ullal and Someshwara villages had approached (September 2003 and September 2004) the jurisdictional court<sup>25</sup> seeking injunction restraining the TMC, Ullal from handing over the occupancy certificates in favour of the allottees of the houses without constructing the underground drainage for flushing out human waste and dirty/sullage water. The residents had apprehended that without a proper underground drainage system, the underground water would be polluted

<sup>24</sup> ₹ 2.35 lakh x 77 months = ₹ 1.81 crore

<sup>25</sup> The court of Principal Civil Judge (Junior Division) & JMJC, Mangalore



thereby contaminating several ponds catering to the needs of the general public and several places of worship in the locality.

The High Court disposed of (June 2009) a writ petition challenging the construction of the houses after the State Government submitted that a decision approving the scheme for providing underground drainage facility for Ullal town had been taken by the State Cabinet and that a notification would ensue in the near future. The jurisdictional court, while disposing of the original suit filed in September 2003, had also decreed (February 2010) that the underground drainage should be provided by the State Government as undertaken before the High Court and certified by the competent authorities before handing over the occupancy certificates to the allottees.

The Government approved (June 2009) the work of providing underground drainage to Ullal town at a cost of ₹ 65.71 crore. The Karnataka Urban Water Supply and Drainage Board (Board) entrusted (June 2010) the work of laying sewer lines and construction of manholes to a construction company at a cost of ₹ 18.94 crore with stipulation for completion by June 2012. As of May 2013, the company had achieved a progress of only ₹ 11.88 crore and was yet to construct 678 out of 2562 manholes and connect these. The other important components of the scheme, viz., wet wells, sewage treatment plant (STP) and electrical works had not been taken up and proposals for acquisition of land for STPs and wet wells had also not been initiated (May 2013).

Meanwhile, the contractor for Ashraya houses on which ₹ 97.50 lakh had been spent had also not handed over the houses to the TMC, Ullal as these remained incomplete (May 2013). During the inspection (February 2013) of the Ashraya colony, we found that the walls and roofs of many houses had collapsed and the houses were in very bad shape.



(Collapsed roofs and walls of Ashraya houses)



Physical inspection showed that the quality of construction appeared to be sub-standard and the neglect of these houses over the years had worsened their condition making them unfit and unsafe for human habitation.

Government stated (October 2013) that action would be taken to complete the underground drainage work before December 2014 and 390 houses would be allotted to the beneficiaries to be selected again by the Ashraya Committee headed by the local member of the Legislative Assembly.

Thus, the Board's failure to complete the underground drainage work even four years after the Government's approval in June 2009, after ₹ 11.88 crore had been spent, resulted in non-allotment of the houses to the beneficiaries. The continued neglect of the houses and the sub-standard quality of construction was fraught with the risk of the entire investment of ₹ 1.93 crore on the Ashraya colony becoming wasteful.

## Primary and Secondary Education Department

### 3.10 Excess payment of salary to teaching staff in aided institutions

**Despite the Government directive, aided Pre-university colleges had irregularly extended pay fixation benefit to the teaching staff for the period of unaided service, resulting in excess payment of salaries aggregating ₹ 34.75 crore.**

The Government releases grants to teaching and non-teaching staff in private educational institutions on the basis of provisions in the Grant-in-aid Code and instructions issued from time to time. As per the existing Grant-in-aid policy of the Government, the teachers (Primary, Secondary and Pre-university) of the aided institutions are eligible for salary only from the date of admission of the institutions to grant-in-aid or from the date of approval of appointment of teachers with aid, whichever is later. It is the responsibility of the Management of these aided institutions to pay salary, increments and other service benefits for the period of unaided service. The above policy of the Government had been upheld by the High court of Karnataka while disposing of writ petitions (August 1985<sup>26</sup> and August 1998<sup>27</sup>). While rejecting the request of the teachers in aided institutions for allowing pay fixation benefit for the unaided service, the Government had directed (July 2000) the Deputy Directors of Public Instructions (DDPIs) and Block Educational Officers (BEOs) to refix the pay of the teachers in aided institutions and recover the excess payments made in equal monthly installments.

However, our scrutiny of records (October/November 2012) in 11 aided colleges in Bagalkot and Bijapur districts showed that the pay fixation benefit had been irregularly given to the teaching staff for the period of unaided

<sup>26</sup> Shivaji School V/s Prabhakar Jotiba Bamane

<sup>27</sup> Smt. Renuka and others



service, resulting in continued excess payment of ₹ 1.65 crore till March 2012. After the issue of irregular pay fixation had been raised by Audit, the Department of Pre-university Education assessed (April 2013) the excess payment made to 1124 teachers employed in aided PU colleges in the State at ₹ 34.75 crore till December 2012. Details of action taken to recover the excess payment were awaited (August 2013). The DDPIs and BEOs had not taken action as per Government directives of July 2000 to re-fix the pay of teaching staff in these chosen institutions, facilitating persistent excess payment of salary.

The matter was referred to Government in June 2013; reply has not been received (December 2013).

## Revenue Department

### 3.11 Unauthorised use of Government land by a Golf Club

**Deputy Commissioner, Dakshina Kannada district unauthorisedly permitted 53.65 acres of Government land valued at ₹ 72.43 crore, to be developed as a golf course.**

The Government approved (January 2006) the lease of 341.46 acres of land in Moodu Shedde and Thiruvail villages of Mangalore taluk, Dakshina Kannada district to a Society<sup>28</sup> headed by the Deputy Commissioner (DC) of the district for the purpose of promoting tourism and conserving the environment. The Government approved the lease under Rule 27 of the Karnataka Land Grant Rules, 1969 (KLGR) in relaxation of the conditions governing grant of Government land. The lease was for a period of 30 years for a nominal rent of ₹ 100 per acre per year.

We observed that even before the grant of lease of land by the Government, the Society had encroached upon 185.18 out of 341.46 acres of land belonging to the Tuberculosis and Chest Disease Hospital, Mangalore (hospital) in October 1999. Though the hospital had been continuously reporting the encroachment of its land, since October 1999 to the Director, Health and Family Welfare Department (Director) no action had been taken against the Society.

After the approval of the lease by the Government, the hospital had requested (May 2009) the DC for a survey of its land in view of encroachment by a golf club. The hospital reported (May 2010) to the Commissioner, Health and Family Welfare Department that the golf course was sandwiched between the hospital and the staff quarters, and the access road to the staff quarters from the hospital had been blocked. It was seen that the staff were using an alternative road to reach the hospital.

<sup>28</sup> Pilikula Nisarga Dhama – renamed as Dr.Shivarama Karantha Pilikula Nisarga Dhama



The hospital further reported (October 2010) to the Director that its borewell was also lying in the encroached land ; however, no action had been taken on these complaints.

We observed that the golf club, which was originally a part of the Society, became an independent entity on 11 October 2001. A Memorandum of Understanding (MoU) had been signed during October 2001 by the golf club with the Society for the land to be used exclusively for golf and the club had been registered with the Registrar of Societies. The club had a golf course, club house and a bar and was charging from ₹ 2 lakh to ₹ 10 lakh for permanent to life membership.

Thus, the golf club had come into existence even before the approval of the lease by the Government in February 2006 and the DC had unauthorisedly entered into the MoU with the golf club in 2001 itself. It was seen from the mahazar<sup>29</sup> prepared (July 2013) by the Revenue Inspector of Surathkal Hobli that the golf club including the course had been formed over an area of 53.65 acres valued at ₹ 72.43 crore at the current guidance value fixed by the Government.

The Government stated (August 2013) that the land measuring 341.46 acres granted to the Society included 185.18 acres which had earlier been handed over to the hospital and, of these, 72 acres had been earmarked for golf course as per the MoU between the Society and the golf club in October 2001. It was further stated that as both the Society and the golf club were headed by the DC, the transfer of land to the golf club was not considered subletting or sub-lease and the golf club was not a private concern but a public unit. The reply was not acceptable as the golf club could not be recognised as a public unit mainly on the ground of the DC being its President as the assets of the golf club did not belong to the Government and the general public did not have access to the golf course or club. Further, the MoU between the Society and the golf club which enabled physical transfer of the Government land to the golf club occurred in March, 2001 much before the lease was approved in February, 2006 and was not authorised by the Government. The DC had thus alienated land to a golf club unauthorisedly and if the intention of the Government was to promote tourism and golf, it should have granted land to the golf club in accordance with KLGR by collecting the market value of the land.

Thus, Government land valued at ₹ 72.43 crore had been unauthorisedly alienated to the golf club.

<sup>29</sup> A recording of memorandum



### 3.12 Unjustified concession in grant of land

**The Government granted 11 acres and 11 guntas of land to a Trust at a concessional price of ₹ 3.95 crore against the market value of ₹ 10.15 crore by unjustifiably relaxing the provisions of the Karnataka Land Grant Rules.**

According to Rule 19(5) of the Karnataka Land Grant Rules, 1969 (KLGR), no land shall be leased to any educational institution charging capitation fee or any other fee towards cost of education or service offered by it. Rule 21 *ibid* empowers the Government to grant land to religious and charitable institutions for non-agricultural purposes without extending any concession in the price of land. However, such religious and charitable institutions which do not collect any fee or service charges are eligible for grant of land at 50 *per cent* of the market price or guidance value, whichever is higher. However, Rule 27 *ibid* confers on the Government the powers to relax any of the provisions in the KLGR for reasons to be recorded.

The Government granted (January 2010) 11 acres<sup>30</sup> 11 guntas of Gommal<sup>31</sup> land in Survey No.81 of Uttarahalli village of Bangalore South taluk to Sri Srinivasa Education and Charitable Trust (Trust) under Rule 27. The Government had earlier allotted the land to Bangalore Development Authority (BDA) and subsequently cancelled the allotment on the ground that the land comprised hillocks and was not suitable for housing purposes. While the guidance value of the land as fixed by the Department of Stamps and Registration was ₹ 70 lakh per acre, its market value as assessed (June 2009) by the jurisdictional Tahsildar<sup>32</sup> varied from ₹ 85 lakh to ₹ 95 lakh per acre.

While the cost of land as per the guidance value was ₹ 7.89 crore, its average market value was ₹ 10.15 crore. However, the Government approved the sale of the land to the Trust for ₹ 3.95 crore at 50 *per cent* of the guidance value. We observed that Government's decision was gratuitous as the concession extended to the Trust lacked justification. The Government took the decision on the basis of the request from the Trust for grant of land to establish educational institutions for imparting quality education and a report from the jurisdictional Tahsildar (June 2009) that the Trust had been running Sapthagiri Engineering College in Bangalore North and helping students belonging to backward communities and economically weaker sections of the Society. This was not to be a valid reason for the Government to invoke Rule 27 as the engineering college run by the Trust was not a charitable institution as it had been collecting fees<sup>33</sup> from the students like other engineering colleges and was, therefore, not eligible for any concession in cost of land under the KLGR.

<sup>30</sup> 40 guntas make one acre and 1 Gunta = 121 square yards/101.17 square metres

<sup>31</sup> Grazing

<sup>32</sup> Bangalore South

<sup>33</sup> Karnataka CET students – ₹ 36,090 per year and for UGET (Comed-K) student – ₹ 1.25 lakh per year (2012-13), for SC/ST – no fees.

Thus, the Government's decision to invoke Rule 27 resulted in a loss of ₹ 6.20 crore.

The matter was referred to Government in June 2013; reply has not been received (December 2013).

### 3.13 Loss due to incorrect fixation of the price of land

**While granting 16.24 acres of land to an educational institution, the Revenue Department fixed the price of the land at a level lower than the guidance value and incurred a loss of ₹ 4.26 crore in the process.**

Rule 21 of Karnataka Land Grant Rules, 1969 (Rules) prescribes that while fixing the price of land to be granted by the Government to religious and charitable institutions for non-agricultural purposes, no concession in the price of the land should be given except in the case of those which do not collect any fee or service charges. Further, market value or guidance value, whichever is higher, should be collected for land alienated by the Government.

The Government in Revenue Department approved (February 2010) grant of 16.24 acres of land in Survey Nos.171/3 of Shivalli village (0.38 acre) and 93/2 and 94/3 B2 of Hegra village (15.86 acres) of Udupi district to Manipal Academy of Higher Education (grantee) at the market price of ₹ 50000 per cent<sup>34</sup> as determined (July 2008) by Assistant Commissioner, Kundapur and Tahsildar, Udupi. The Government did not consider the guidance value of the land fixed by the Department of Stamps and Registration while approving the price of the land. The grantee remitted (April 2010) ₹ 8.12 crore to the Government account towards the land granted.

We found that the Department of Stamps and Registration had revised (March 2008) the guidance value of land under the jurisdiction of Sub-Registrar, Udupi much earlier to the grant of land in February 2010. According to the revised rates, the guidance value of the land allotted to the grantee worked out to ₹ 12.38 crore<sup>35</sup> against ₹ 8.12 crore valued by the Revenue Department in July 2008. The Government stated (October 2013) that the granted land was agricultural land the guidance value of which was ₹ 60 per sq.ft or ₹ 26135 per cent, whereas the market rate of ₹ 50000 per cent had been collected from the allottee. The reply was not acceptable as the land had been converted for non-agricultural purpose before transfer to the grantee and the guidance value for non-agricultural land was ₹ 175 per sq.ft. Thus, incorrect fixation of the price of the land resulted in an avoidable loss of ₹ 4.26 crore to the Government.

<sup>34</sup> 100 cents = one acre

<sup>35</sup> 16.24 acres equal 7.07 lakh square feet and the guidance value at the rate of ₹ 175 per square feet worked out to ₹ 12.38 crore.



### 3.14 Unjustified grant of land to an encroacher

**The Government overlooked the recommendations of the Deputy Commissioner for evicting an encroacher of land, relaxed the conditions governing grant of Government land unjustifiably and granted 12 guntas of land in a prime locality at an unreasonably low price of ₹ 3 lakh against its market value of ₹ 84.94 lakh.**

Sections 96 and 97 of the Land Revenue Act, 1964 stipulate that if any land held for a specific non-agricultural purpose is diverted for any other non-agricultural purpose without the permission of the Deputy Commissioner (DC), the DC may summarily evict the occupant and the person responsible for the diversion of the land and any building or other construction erected thereon shall also be liable to forfeiture or to summary removal.

The Government in Revenue Department had clarified (January 2007) that Gomala, Gayarana and Hullubanni land (grazing land) should not be allotted to any private organisation or private individual.

DC, Bidar had sanctioned (December 1980) 1213 square yards (sq.yd) of Gayarana land in Sy.No.474 of Humnabad village to an individual for construction of a 'residential house'. DC, Bidar approved (December 1983) change of land use for 'construction of lodging' at the request of the grantee. Keeping the granted land vacant, the grantee, however, had constructed a dental college and hospital by encroaching upon the adjacent Gayarana land belonging to the Government. Parking facilities for the college and the access road had also been provided by the grantee on the encroached land. The grantee requested (January 2010) the then Chief Minister for allotment of 1039 sq.yd of encroached land. The subsequent developments in this case are tabulated in the Table below:

Date	Event
6-01-2010	The Secretary to the Chief Minister referred the request to Revenue Secretary.
28-01-2010	Principal Secretary, Revenue Department forwarded the request to the DC, Bidar for taking appropriate action.
24-03-2010	Additional DC, Bidar wrote to the grantee stating that the land could not be granted since it was classified as Gayarana land and it belonged to the Government. It was further stated that Government orders did not permit grant of Gomala, Gayarana, Hullubanni lands to private institutions and private persons.
24-05-2010	DC, Bidar wrote to Secretary to the Chief Minister clarifying that the land belonged to the Government and the grantee had been illegally occupying it for several years. The grantee had already constructed a house and a dental hospital on the land which warranted legal action under the Land Revenue Act, 1964.
14-06-2010	DC, Bidar appointed a three member committee for examination of encroached land.



Date	Event
30-08-2010	The committee submitted the report which confirmed unauthorised use of the Government land. It recommended that in case the Government decided to grant the land to the individual, 12 out of 14 guntas encroached upon could be granted, leaving 2 guntas for the purpose of road.
1-09-2010	Detailing the encroachment of the land, DC, Bidar wrote to Secretary to the Chief Minister seeking further orders.
27-10-2010	Under Secretary, Revenue Department, directed the DC, Bidar to grant the land on lease basis to the grantee subject to the condition that 2 guntas should be left for National Highway and the grantee should submit five years accounts to the Government.
8-07-2011	Under Secretary, Revenue Department withdrew the letter dated 27-10-2010. Instead of granting the land on lease, prior permission of the Government was communicated to grant the land under Rule 27 of the Karnataka Land Grant Rules. The DC was directed to collect guidance value from the grantee.
26-09-2011	The Additional DC valued the land rate at ₹ 390 per sq.ft for residential use and ₹ 650 per sq.ft for commercial use.
13-12-2011	Under Secretary wrote to DC communicating the Government's prior approval for collecting charges applicable for agricultural land as the land was meant for an educational institution.
07-02-2012	DC, Bidar issued order granting the land at a cost of ₹ 3.00 lakh at ₹ 25000 per gunta.

Rule 27 of the Karnataka Land Grant Rules, 1969 (KLGR) provides that if the State Government is of the opinion that in the circumstance of any case it is just and reasonable to relax any of the provisions of the KLGR, it may, by order, direct such relaxation, recording the reasons for such relaxation and thereupon, land may be granted in accordance with such direction. In this case, the Government, while invoking Rule 27 of KLGR, did not state the reasons as to why it found it just and reasonable to overlook the encroachment of its land for 30 years and the unauthorised construction erected thereon. Instead of evicting the grantee from the encroached land as recommended by the DC, Bidar, the Government had not only invoked the provisions of Rule 27 of KLGR unjustifiably but reversed its earlier decision (July 2011) to recover the cost of land at the guidance value and order recovery at the rate applicable for agricultural land though the land granted was not agricultural land. The land granted was within the municipal limits of Bidar adjacent to the bus stand and was used for commercial purposes.

Thus, the Government's action in granting 12 guntas of encroached land in a prime locality to the encroacher at a cost of only ₹ 3 lakh against its market value of ₹ 84.94 lakh was unjustified and gratuitous.

The matter was referred to Government in June 2013; reply has not been received (December 2013).



## Social Welfare Department

### 3.15 Irregular and excessive release of grants

**The Government irregularly sanctioned grant of ₹ 2 crore to a Trust against the budget provision provided for the welfare of the Scheduled Castes, Scheduled Tribes and Other Backward Classes.**

The Government in Social Welfare Department sanctioned grants to registered societies, self-help groups and trusts established for the welfare of scheduled castes (SC), scheduled tribes (ST) and other backward classes (OBC) out of budget provision provided under the head “2225-03-001-0-05-Vividha Samudayagala Abhivridhi”. The grants were sanctioned for construction of community halls and students’ hostels. According to the guidelines issued by the Government from time to time, the District Officers of the Department of Backward Classes Welfare (Department) were to receive the applications for grants, inspect the proposed location of the buildings, obtain the recommendation of the Deputy Commissioner of the district and forward the applications to the Commissioner of the Department for sanction of grants by the Government. The minimum estimated cost of construction was to be ₹ 10 lakh and the grant was to be limited to ₹ 5 lakh in every case. After sanction, the Commissioner was to release the grant to the Deputy Commissioner for disbursing these to the institutions concerned in three installments<sup>36</sup>.

Our scrutiny of grants sanctioned by the Government during 2008-12 showed that a grant of ₹ 2 crore had been sanctioned (August 2011) to a Trust for construction of a community hall and girl students’ hostel that was not meant for SC/ST/OBC. The grant was also excessive as it had violated the maximum limit of ₹ 5 lakh prescribed in the guidelines.

Further, the Government had sanctioned grants in excess of the maximum limit of ₹ 5 lakh to 26 institutions during this period. While these 26 institutions were eligible for grants aggregating ₹ 1.30 crore as per the scale fixed by the Government, the actual grants released aggregated ₹ 21.24 crore resulting in excess release of ₹ 19.94 crore (details vide **Appendix-3.6**). Grant of ₹ 11.35 crore to 12 out of these 24 institutions had also been irregularly released in one installment instead of three installments. In the case of another five institutions, the Government had sanctioned ₹ 8 crore without the recommendations of the Deputy Commissioner.

The Commissioner stated (June 2013) that the grant of ₹ 2 crore released to the Trust had been sanctioned on the basis of direction given (March 2011) by the Finance Department in a UO note for utilising the budget provision made under the head “2205-03-0-05” for communities other than SC/ST/OBC. The reply was not acceptable as the FD’s clearance subverted the legislative

<sup>36</sup> 40 per cent on completion of foundation, 40 per cent on completion of roof and 20 per cent on final completion



approval which had been obtained for spending the grants for the welfare of SC/ST/OBC. The booking of the expenditure against the budget provision made for the welfare of SC/ST/OBC was irregular. Further, the Commissioner did not explain as to why the Government had violated its own guidelines and sanctioned grants in excess of the maximum limit of ₹ 5 lakh per institution.

The matter was referred to Government in June 2013; reply has not been received (December 2013).

## Urban Development Department

### 3.16 Unauthorised donations

**Bangalore Development Authority (BDA) irregularly donated ₹ 10.19 crore for various purposes not permitted by the BDA Act.**

Bangalore Development Authority (BDA) was established under the BDA Act, 1976 (Act) with the objective of promoting and securing the development of the Bangalore Metropolitan Area and for achieving this objective, the Act empowers BDA to acquire, hold, manage and dispose of moveable and immovable property, to carry out building, engineering and other operations and generally to do all things necessary or expedient for the purposes of such development and for purposes incidental thereto.

Section 40 of the Act envisages the creation of Bangalore Development Fund to which the rents, profits and sale proceeds of all lands, buildings and other properties vested or vesting in or acquired by BDA, any amount borrowed, property tax levied and collected by BDA from time to time, betterment taxes *etc.*, should be credited. The fund is to be used by BDA for payment of the charges incidental to the carrying out of the purposes of the BDA Act including the cost of development of the Bangalore Metropolitan Area, the cost of maintaining, lighting and cleansing of streets and the cost of maintaining drainage and sanitary arrangement and water supply. The Act however, does not have any provision for making any donations to any body/ authority for any purpose from this fund.

We, however, observed that BDA had donated ₹ 10.19 crore during 2009-12 as shown in **Appendix-3.7**.

These donations were irregular and beyond the BDA's mandate given by the Act. In regard to donations made during 2011-12, the Finance Member, BDA stated (September 2012) that BDA undertook charitable activities which fell under the definition of relief of the poor for education, medical relief, preservation of environment, preservation of monuments or objects of artistic or historic interest or advancement of any object of public utility as defined under Section 2(15) Income Tax Act. It was further stated that while the donation to CM's Relief Fund had been given for providing relief to the



general public, the other donations came under the scope of advancement of any object of public utility. The reply was not acceptable as BDA was mandated to conduct its business as per the Act and the BDA did not have the mandate to make donations as per the Act. Further, Section 2(15) of the Income Tax Act defines 'charitable purpose' for the purpose of claiming exemption from tax. BDA is neither a charitable institution<sup>37</sup> nor is authorised to undertake charitable activities as per the BDA Act.

The matter was referred to Government in May 2013; reply has not been received (December 2013).

### 3.17 Loss of revenue

**BDA awarded the advertising rights of five flyovers to two agencies for ₹ 7.29 crore for a period of five years. The agreements of these agencies had not been renewed every year, though required. After remitting ₹ 2.79 crore, the agencies stopped further payments. BDA took no action till the expiry of the five year period, losing a revenue of ₹ 4.50 crore in the process.**

Bangalore Development Authority (BDA) constructs and maintains flyovers and grade separators across Bangalore City. These flyovers/grade separators are located in major commercial hubs and a source of revenue for the BDA. Recognising the revenue potential of these advertising spaces, BDA invited (December 2006) tenders from advertising agencies and corporate bodies for developing and maintaining the landscape below five<sup>38</sup> flyovers and using it for advertisement purposes on a Build Operate and Transfer (BOT) basis.

While the advertising rights for four flyovers were given (April 2007) to one agency at ₹ 1.40 crore per annum, rights for the remaining one (White field) was awarded (April 2007) to another agency at ₹ 6 lakh per annum. According to the agreements (April 2007), the agencies were to undertake landscaping and beautification of the flyovers, use these for advertising purposes and pay the agreed annual license fee. The period of license was for five years with the condition that the license would be initially for one year which would be reckoned from the 46<sup>th</sup> day of signing the agreement or from the date of completion of landscaping, whichever was earlier, and the license was to be renewed on expiry of every 12 months. The facilities created by the agencies would revert back to BDA at the end of the license period and the entire area was to be handed over in good condition acceptable to BDA. The two agencies were to pay every year license fees aggregating ₹ 1.46 crore. The five year period ended in March 2012.

We observed that BDA did not have the details of renewal of the agreements made during the five year period. The agency which got the license for the Whitefield flyover did not remit any amount out of ₹ 30 lakh payable as

<sup>37</sup> After the notification of the Finance Act, 2009, the exemption proposed under Section 12A was withdrawn

<sup>38</sup> Anand Rao Circle, Dairy Circle, Hebbal, Jayadeva Institute of Cardiology and Whitefield



license fee during the five year period. The agency which got the license for the other four flyovers paid only ₹ 2.79 crore<sup>39</sup> against ₹ 6.99 crore payable for the five year period.

Meanwhile, before the expiry of the five year period, BDA handed over three<sup>40</sup> flyovers to Bruhat Bangalore Mahanagara Palike (BBMP) for further maintenance. Though the agreements with the agencies included a clause which required them to pay the license fee to BBMP in such an eventuality, the agencies for these flyovers had not remitted the license fee either to BDA or BBMP. Only in December 2012, BBMP wrote to BDA informing the latter that it had not been provided with the details of renewal of agreements in these cases.

Thus, BDA did not take any action to either get the licenses renewed from time to time or cancel the licenses when the agencies had defaulted in payments. BDA had also failed to alert the BBMP about the contractual obligations in respect of the flyovers handed over to them for further maintenance. Instead of cancelling the licenses of the defaulting agencies and allotting the advertising space to others, BDA neglected the matter till the expiry of the five year period, losing in the process a revenue of ₹ 4.50 crore. As there was no evidence of renewal of the agreements with the agencies, the recovery of the amount from the agencies is remote. Further, the continued neglect of the advertising infrastructure created in these flyovers had resulted in damages to the advertising boards fitted to the electrical poles on the flyovers. The landscape below the flyovers had also been disfigured by posters pasted on it and garbage strewn around it.



Damaged advertisement boards and posters pasted on the landscape of the Anandrao Circle flyover



Damaged advertisement boards at Hebbal flyover

The matter was referred to Government in June 2013; reply has not been received (December 2013).

<sup>39</sup> Last payment was received in July 2010.

<sup>40</sup> Anand Rao Circle on 6 November 2009, Jayadeva Institute of Cardiology on 19 May 2010 and Dairy Circle on 9 March 2012



### 3.18 Wasteful investment on a water supply scheme

**The Karnataka Urban Water Supply and Drainage Board took up a water supply scheme to meet the drinking water requirement of Tiptur and Arasikere towns during the summer season. The Board completed the same at a cost of ₹ 2.72 crore without connecting the source to the water treatment plant. Subsequently, the Government sanctioned another water supply scheme exclusively for Arasikere town, rendering the expenditure of ₹ 2.72 crore incurred on the earlier scheme wasteful.**

The existing combined water supply scheme<sup>41</sup> which drew water from Hemavathy canal catered to the drinking water requirement of Tiptur and Arasikere towns. During the period that water was released into the canal from the Hemavathy reservoir, water was drawn till the jackwell<sup>42</sup> by gravity from where it was pumped to a water treatment plant (WTP) with a capacity of 17.5 MLD located in Tiptur town, close to Tiptur tank. Simultaneously, water was lifted from the Hemavathy canal during the canal flow period and impounded in Eachanur tank which functioned as the source for eight months when there was no water flow in the canal.

As the capacity of the Eachanur tank (2047.50 ML) was not sufficient to meet the drinking water requirements of Tiptur (1569.75 ML) and Arasikere (1328.25 ML), during the lean period of six months, the Karnataka Urban Water Supply and Drainage Board prepared (February 2009) a project proposal for lifting an additional 934 ML of water from the Hemavathy canal, impounding it in Tiptur tank and using it as and when required. After the Irrigation Department granted (July 1998) permission for lifting the additional 934 ML of water, the Government approved (February 2009) the project at a cost of ₹ 4.40 crore. The Board entrusted (November 2009) the work to the lowest tenderer at a cost of ₹ 2.57 crore with stipulation for completion by August 2010. The work was completed belatedly in October 2011 at a cost of ₹ 2.72 crore.

Our scrutiny of the work showed that all the project components required to draw water from the Hemavathy canal and impounding it in Tiptur tank had been completed and the project had been commissioned. However, the impounded water had not been utilised for drinking water purposes as the work of rising main for conveying the raw water to the WTP had not been taken up. This important component had not been included in the project proposal prepared by the Board for which there were no recorded reasons. Thus, the scheme on which an investment of ₹ 2.72 crore had been made failed to achieve its objective.

Subsequently, the Government sanctioned (March 2010) a separate water supply scheme exclusively for Arasikere town at a cost of ₹ 1.22 crore by

<sup>41</sup> Combined water supply scheme to Arasikere and Tiptur towns commissioned in April 1998

<sup>42</sup> Jackwell is a radial well constructed near the water source for drawing water from the source



drawing water from the Hemavathy river itself downstream of the Hemavathy reservoir. The work taken up by the Board in December 2011 was in progress and was scheduled for completion in December 2013. With the completion of this scheme, the water impounded in the Eachanur tank would be more than sufficient to meet the drinking water requirement of Tiptur town.

Thus, failure to connect the Tiptur tank to the WTP till now and the Government's subsequent decision to sanction a water supply scheme exclusively for Arasikere town with a different source rendered the investment of ₹ 2.72 crore wasteful.

The matter was referred to Government in April 2013; reply has not been received (December 2013).

### **3.19 Injudicious parking of surplus funds in a savings bank account**

**Instead of investing the surplus funds of ₹ 47.77 crore in flexi deposits or term deposits to maximise the interest earnings, the Karnataka Urban Water Supply and Drainage Board parked these funds in a Savings Bank Account, incurring loss of earnings of ₹ 1.42 crore.**

Prudent cash management requires that idle or surplus funds available with an enterprise be used for maximising its earnings through authorised investments. The Karnataka Urban Water Supply and Drainage Board (Board) Act, 1974 mandates investment of its surplus funds in banks and the power of making investment decisions was delegated to the Managing Director (MD) in February 2010.

The Board received (March 2012) ₹ 38.82 crore from the Director of Municipal Administration (DMA) for execution of works related to Urban Infrastructure Development Scheme for Small and Medium Towns and parked the funds in its Savings Bank (SB) account with the ING Vysya Bank, earning 4 *per cent* interest per annum. On scrutiny of the earlier investments of surplus funds made by the Board, it was seen that the Board had been investing the surplus funds either in flexi current accounts or fixed deposits earning higher rate of interest. No reasons were on record for deviating from the established procedure and parking ₹ 38.82 crore received from the DMA in SB account.

The Chief Accounts Officer (CAO) of the Board stated (May 2012) that the Board was purely a service organisation and earning interest on the funds was not the prime motto of the organisation. The reply was not acceptable as common prudence dictates that any investment decision should be aimed at maximising interest earnings.

After we raised the issue of injudicious parking of surplus funds in May 2012, the Board again parked surplus funds of another ₹ 8.95 crore in the SB account



with ING Vysya Bank on 7 November 2012. These surplus funds were withdrawn and invested in term deposits by the Board only on 7 December 2012. The Government sought (April 2013) a report from the Board as to why the established procedure of investing the surplus funds in flexi or fixed deposits had not been followed in these cases. The Board was yet to submit a report to the Government in this regard (April 2013).

Thus, failure to invest the surplus funds of ₹ 47.77 crore in investments earning higher rate of interest resulted in loss of earnings of ₹ 1.42 crore to the Board.

The matter was referred to Government in March 2013; reply has not been received (December 2013).

### **3.20 Collection of only a part of the fees payable by consumers**

**The Karnataka Urban Water Supply and Drainage Board's Division at Dharwad, instead of collecting the fees from the consumers upfront before sanctioning new water supply connection and regularising unauthorised connections, collected only a part of the fees payable, resulting in accumulation of dues aggregating ₹ 1.28 crore.**

The Government had entrusted (March 2003) the maintenance of the water supply system of the Hubli-Dharwad Municipal Corporation to the Karnataka Urban Water Supply and Drainage Board (Board). As per the terms of entrustment, the Board was, *inter alia*, responsible for sanctioning new water connections and regularising unauthorised connections after collecting the fees prescribed. We, however, observed that the Board's two sub-divisions at Dharwad had been sanctioning new connections and regularising unauthorised connections over the years after collecting only a part of the fees payable. The balance payable by the consumers had been reflected as receivables in the Demand Collection and Balance Register. There were no recorded reasons as to why new connections had been given or unauthorised connections regularised without collecting the full fees before sanction. As of March 2013, dues aggregating ₹ 1.28 crore remained unrecovered from the consumers.

We further observed that the quantum of concession given by the two sub-divisions differed from consumer to consumer and the balance amounts had not been fully collected as of March 2013.

Thus, collection of only a part of the fees from the consumers was irregular, resulting in continued accumulation of dues from the consumers and the sub-divisions had not taken action to recover the outstanding dues.

The matter was referred to Government in July 2013; reply has not been received (December 2013).

### 3.21 Loss due to non-acceptance of the second highest offer

**The Karnataka Urban Water Supply and Drainage Board failed to consider the second highest offer received in response to an auction for disposal of unserviceable articles after rejecting the non-responsive highest bid and in the process, incurred a loss of ₹ 1.20 crore.**

The Karnataka Urban Water Supply and Drainage Board (Board) had a huge stock<sup>43</sup> of unserviceable cast iron (CI) pipes and pig lead released from the scheme of “Removing and relaying the CI transmission line from Bennithora to BP tank” in Gulbarga district. The Board invited (October 2011) bids through e-tender-cum-auction mode<sup>44</sup> for disposing of these unserviceable material on “as is where is” basis.

After receiving five bids in response to the e-tendering process, the Board conducted (December 2011) a public auction in which 149 bidders participated. However, only 10 bidders offered their rates. According to the terms and conditions, the bid was to remain valid for 90 days and every bidder was to submit earnest money deposit (EMD) of ₹ 6.95 lakh in the form of demand draft for participating in the e-tendering or auction. Further, the successful bidder was to deposit 50 *per cent* of the bid amount on the day of the auction itself. The EMDs of the unsuccessful bidders, excepting those of the first and second highest bidders, were to be refunded immediately after the auction. The spirit of this provision was to consider the second highest offer if the highest bidder failed to meet the terms and conditions.

After evaluating the bids, the Board accepted (27 February 2012) the highest bid of ₹ 6.33 crore received in the auction. However, the successful bidder deposited only ₹ 97 lakh on the designated day and took 10 more days to deposit the balance amount. The Chief Accounts Officer of the Board opined (27 February 2012) that the Board had received the highest offer and the slight deviation from the terms and conditions could be relaxed with the concurrence of the Managing Director (MD). The legal advisor also recommended for considering the highest offer in the interest of the Board. The MD placed the matter before the Board which rejected (February 2012) the highest offer on the ground of the highest bidder failing to remit 50 *per cent* of the bid amount as required. The Board also decided to invite fresh tenders.

We observed that after rejecting the highest offer, the Board did not consider the second highest bid for ₹ 6.27 crore, the validity period of which had not expired. This was also confirmed by the legal advisor of the Board. Though the Board was well within its right to reject the non-responsive highest bid, it ought to have considered the second highest bid. Further, the Board also did

<sup>43</sup> 2453 metric tonnes (MT) of cast iron

<sup>44</sup> After receiving bids through the e-tendering process, an auction is conducted and the highest offer received in response to e-tendering and auction is accepted.



not forfeit the EMD of ₹ 6.95 lakh furnished by the defaulting highest bidder, though the terms and conditions mandated the forfeiture.

The tender-cum-auction notified (April 2012) for the second time was cancelled as there was no response. The Board invited (September 2012) e-tenders again and conducted the auction on 21 November 2012. While there was no response to the e-tendering process, the auction witnessed participation of 84 bidders, however only nine bidders offered their rates. The bidder who offered ₹ 5.14 crore was declared successful and the selected bidder furnished several drafts for ₹ 2.57 crore towards 50 *per cent* of bid amount.

We observed that the Tender Scrutiny Committee had noted (January 2013) that the demand drafts furnished by the selected bidder included demand drafts of 35 unsuccessful bidders towards EMDs which had been returned to them on conclusion of the auction. There was no logical reason for the unsuccessful bidders to come forward to help the successful bidder in depositing 50 *per cent* of the bid amount unless they had formed a cartel. Evidently, those 35 unsuccessful bidders were not serious contenders and only participated in the auction process to direct the outcome of the auction in favour of the successful bidder. However, the Board overlooked the anti-competitive bidding activities noticed in the auction and approved (February 2013) the highest offer of ₹ 5.14 crore.

Thus, failure of the Board to accept the second highest bid of ₹ 6.27 crore received in the auction of December 2011 and to forfeit the EMD of ₹ 6.95 lakh of the defaulting highest bidder necessitated re-tendering which witnessed anti-competitive bidding activity, resulting in obtaining an offer of only ₹ 5.14 crore. These lapses resulted in an avoidable loss of ₹ 1.20 crore to the Board.

The matter was referred to Government in June 2013; reply has not been received (December 2013).

### 3.22 Excess payment to contractors

**The Karnataka Urban Water Supply and Drainage Board irregularly adopted the inappropriate price index to regulate price adjustment for steel used in five water supply schemes, resulting in excess payment of ₹ 1.12 crore to the contractors.**

The Karnataka Urban Water Supply and Drainage Board (Board) implements several water supply schemes in the urban areas of the State. Mild steel (MS) pipes are used for water transmission in these schemes. The contracts for water supply schemes entered into by the Board include<sup>45</sup> a price adjustment

<sup>45</sup> in respect of works where the estimated cost put to tender is ₹ 1 crore or above and the period of completion is 12 months or more in terms of Government order of November 2004

clause to regulate the price adjustment on account of changes in cost during the execution of these schemes.

The Government had prescribed (November 2004) adoption of price index relevant to the raw materials while regulating price adjustment. The Finance Department (FD) further clarified (October 2010) to the Board that price adjustment for fluctuations in price of steel used in water supply schemes was to be regulated by adopting the wholesale price index of the sub-group “Steel: Pipes and Tubes”, as published by the Reserve Bank of India (RBI). We, however, observed that despite FD’s clarification, the Board irregularly continued to adopt the wholesale price index of the sub-group “MS Bars and Roles” while regulating the price adjustment for steel in the case of five water supply schemes, resulting in excess payment of ₹ 1.12 crore as shown in **Appendix-3.8**.

The matter was referred to Government in May 2013; reply has not been received (December 2013).

### **3.23 Doubtful expenditure on raising and maintenance of seedlings**

**BDA booked an expenditure of ₹ 31.76 lakh during 2009-11 on raising of and maintaining 4.30 lakh seedlings in two nurseries, though raising seedlings had not been taken up at these nurseries. There were also no records evidencing execution of these works at these nurseries. The expenditure of ₹ 31.76 lakh, therefore, seemed doubtful.**

Bangalore Development Authority (BDA) has a separate Forest Division headed by a Deputy Conservator of Forests (DCF). The Division is responsible for raising of seedlings, their planting in BDA layouts and parks and their subsequent maintenance. For this purpose, the Division maintains two nurseries, one each at Sir MV Layout and Anjanapura Layout.

Karnataka Forest Code prescribes preparation of an annual plan of operation to include all works to be undertaken by the Division. The Division is required to maintain a record of plantations raised, afforestation works carried out *etc.*, with the result thereof. Whenever plantations are raised, a register should be opened and maintained for each plantation. The entire history of the plantation should be recorded in a chronological order from the time of its formation. The Range Forest Officer (RFO) is responsible for the execution of all works in the range and is required to carry out periodical inspections. The RFO is also responsible for maintenance of proper accounts relating to revenue, expenditure and stock.

We observed that BDA had spent ₹ 31.76 lakh on these two nurseries during the period 2009-11. The amount was spent towards raising of 4.30 lakh seedlings (₹ 4.11 lakh) and their maintenance (₹ 27.65 lakh). The Division had not drawn up any annual action plan during this period detailing the



proposed activities to be taken up in the nurseries. No stock register had been maintained to evidence issue of these seedlings for planting in layouts and parks developed by BDA. There were no documents in support of any inspection conducted and the results thereof.

When there was a change in incumbency of the forest range, (October 2011), the new RFO after taking over charge had reported to the DCF that no records or information on the nurseries had been handed over by the previous incumbent. Assistant Conservator of Forests, BDA (ACF) stated (October 2012) that raising of seedlings at nurseries had not been done during 2008-12 and seedlings (20.76 lakh) required for planting during this period were allowed to be purchased (cost: ₹ 29.17 crore) by the respective contractors. It was further stated that no seedlings had been utilised/distributed from the two nurseries for plantation work during 2008-12. A joint inspection<sup>46</sup> (November 2012) of the two nurseries also showed that there was no activity or stock of seedlings in these two nurseries which remained in a state of neglect.

Further, the vouchers and the Field Note Books in support of the expenditure incurred had also not been furnished to Audit. In the absence of any records in support of the seedlings raised and maintained at these two nurseries and in the light of the reply of the ACF that no seedlings had been raised in these nurseries during 2008-12, the expenditure of ₹ 31.76 lakh seemed doubtful, warranting an investigation to fix responsibility for the suspected misuse of funds.

The matter was referred to Government in June 2013; reply has not been received (December 2013).

### **3.24 Poor planning in the restoration of a polluting lake**

**BDA took up the restoration of a lake without clearing the encroachments and without diverting the sewage flow into the lake. After incurring an expenditure of ₹ 1.06 crore on restoration, there was no improvement in the condition of the lake which continued to receive sewage water and remain polluted.**

The Bangalore Development Authority (BDA) had accorded (May 2010) administrative approval for the work of restoration and development of the Doddabidarakallu lake at a cost of ₹ 8.25 crore. The Lake Development Authority (LDA) accorded (February 2011) technical sanction to the work for ₹ 4.16 crore on the basis of the Detailed Project Report (DPR) prepared by a consultant. The work consisted of desilting of the lake, strengthening of the existing bund, waste water diversion, improvements to the waste-weir, tank for idol immersion, boundary protection, pathway and railing works for the existing bund, construction of office building, *etc.*

<sup>46</sup> by Audit and the RFO



At the time of according technical sanction, the LDA, inter alia, stipulated that (i) the encroachments<sup>47</sup> around the lake were to be cleared before taking up the work, (ii) the lake area on the Radha Soami Satsang Beas (Satsang) side was to be verified and cleared of encroachments and (iii) Total Station Surveys<sup>48</sup> were to be conducted before commencement and after completion of the desilting work for assessing the quantum of silt.

The Satsang area was critical to the execution of the work as an inlet channel was to be constructed in this area to lead the sewage water away from the lake area. Even before according technical sanction to the work, LDA had informed (August 2010) the BDA that lake area of 4.18 acres had been irregularly granted to the Satsang by the Special Deputy Commissioner despite judgements given by the High Court (WP No.31343/ 95) and the Supreme Court that lake land should not be granted for any other activities. The LDA had also requested the BDA to get the land grant cancelled and to write to the State Government for taking necessary action against the Special Deputy Commissioner for this unlawful act.

However, the BDA did neither ensure the cancellation of the illegal grant of the lake land nor clear the encroachments before hastily awarding (March 2011) the work to a contractor for ₹ 4.10 crore with stipulation for completion by September 2011. The BDA also appointed (April 2011) the Chairman, Faculty of Engineering and Civil, Bangalore University as the project management consultant (PMC) for a consultancy fee of ₹ 2.86 lakh to take care of monitoring, quality assurance, scrutiny of contractor's bills, etc. The contractor had been paid ₹ 1.06 crore so far and the second bill for ₹ 1.65 crore, submitted during September 2012, had not been paid (March 2013). As of December 2012, the contractor had completed the desilting work and partially completed the strengthening of the tank bund, tank for idol immersion, fencing, improvements to the waste-weir and office building. The PMC did not certify the second bill of the contractor as it had not appointed any supervisor to oversee the desilting work claimed in the second bill. The work remained suspended after submission of the second bill by the contractor.

The critical component of sewage diversion had not been taken up by the contractor as the Bangalore Water Supply and Sewerage Board (Board) had been planning (July 2012) to lay a sewage pipeline along the periphery of the lake under the Karnataka Municipal Reforms Project. The LDA accorded approval to the proposal of the Board to lay pipeline (July 2012). As the alignment proposed by the Board had not been cleared of encroachments, the Board proposed (June 2013) an alternative alignment within 10 meters from the left bund boundary of the lake which was yet to be approved by the LDA (June 2013). As no action had been taken to divert the sewage water either before commencement or after completion of the desilting work, the lake continued to receive sewage water and was full of water hyacinth<sup>49</sup> and other aquatic weeds, indicating high levels of pollution and eutrophication.

<sup>47</sup> 2 acres and 32 guntas out of the total area of 40 acres and 5 guntas.

<sup>48</sup> Use of electronic survey equipment to perform horizontal and vertical measurements

<sup>49</sup> is a free floating perpetual aquatic plant






Lake filled with hyacinth and aquatic weeds

The work ended up as an example of poor planning, resulting in no value addition despite investment of ₹ 1.06 crore on restoration of the lake. Though the work had been taken up with the objectives of preservation of quality of the surface and ground water, protection of flora and fauna, growth of bird sanctuary, provision of recreational facilities, promotion of fisheries *etc.*, none of the objectives had been achieved and the lake continued to remain polluted.

The matter was referred to Government in July 2013; reply has not been received (November 2013).

BANGALORE  
THE 10 FEB 2014

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

COUNTERSIGNED

NEW DELHI  
THE 13 FEB 2014

  
(SHASHI KANT SHARMA)  
Comptroller and Auditor General of India





# APPENDICES





## Appendix-1.1

(Reference: Paragraph-1.7.1, Page-8)

**Year-wise breakup of Outstanding Inspection Reports and Paragraphs in respect of Primary and Secondary Education Department  
as of December 2013**

Year	Library		Printing & Stationery		Public Instruction		DSERT		Mass Education		PU Education		Vocational Education		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 2003-04	-	-	13	23	3	3	11	16	-	-	16	21	-	-	43	63
2004-05	1	1	2	2	1	2	1	10	-	-	6	8	-	-	11	23
2005-06	1	1	-	-	2	2	-	-	-	-	2	3	-	-	5	6
2006-07	-	-	-	-	4	6	3	9	-	-	3	8	-	-	10	23
2007-08	-	-	-	-	5	13	3	12	1	1	15	33	1	1	25	60
2008-09	2	7	2	5	2	2	12	43	-	-	12	23	-	-	30	80
2009-10	2	14	1	4	2	4	2	5	1	2	15	28	1	1	24	58
2010-11	1	3	1	3	3	11	21	108	1	1	21	59	-	-	48	185
2011-12	11	65	2	14	2	5	12	82	-	-	25	142	1	4	53	312
2012-13	-	-	-	-	1	10	2	13	1	7	5	39	-	-	9	69
<b>Total</b>	<b>18</b>	<b>91</b>	<b>21</b>	<b>51</b>	<b>25</b>	<b>58</b>	<b>67</b>	<b>298</b>	<b>4</b>	<b>11</b>	<b>120</b>	<b>364</b>	<b>3</b>	<b>6</b>	<b>258</b>	<b>879</b>

(Source: Inspection reports for the period upto 2012-13)

## Appendix-1.2

(Reference: Paragraph-1.7.3, Page-9)

## Details of Departmental Notes pending as of December 2013 (excluding General and Statistical Paragraphs)

Sl. No.	Department	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	11-12	Total
1	Animal Husbandry & Veterinary Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1	2
2	Education	-	-	-	-	-	-	-	-	1	-	-	1	-	3	2	-	3	10
3	Finance	-	-	-	-	-	1	-	-	-	-	-	1	1	1	1	-	1	6
4	Health & Family Welfare	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	1	2
5	Home	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
6	Housing	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	2
7	Information, Tourism, Kannada & Culture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
8	Labour	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
9	Public Works	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	1
10	Revenue	-	-	1	-	-	-	-	-	-	-	1	-	-	1	-	-	4	7
11	Social Welfare	-	-	1	1	-	-	-	-	-	-	-	1	-	-	-	-	-	3
12	Urban Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	8	12
13	Women and Child Development	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	1
14	Youth Services and Sports	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	1
15	Agriculture, Forest, Home & Transport	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
<b>Total</b>		<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>7</b>	<b>19</b>	<b>51</b>

(Source: Departmental notes received from Government as of December 2013)



**Appendix-1.3**  
(Reference: Paragraph-1.7.4, Page-9)  
**Paragraphs (excluding General and Statistical) yet to be discussed by PAC as of December 2013**

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	11-12	Total
1	Agriculture	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	03
2	Animal Husbandry and Veterinary Services	-	-	-	-	-	3	1	1	2	-	-	-	1	-	-	-	-	1	-	1	10
3	Education	2	1	4	5	1	-	1	2	2	1	1	1	-	2	2	1	3	2	-	3	34
4	Finance	-	-	-	-	-	-	-	-	1	-	-	-	-	1	1	1	1	1	1	1	08
5	Health and Family Welfare	3	-	1	4	4	1	2	2	1	-	-	-	-	-	-	-	1	-	-	1	20
6	Home	-	2	2	-	2	-	-	2	-	2	-	-	-	-	-	-	-	-	2	-	12
7	Horticulture	-	-	-	-	1	1	-	-	-	-	-	-	-	1	-	-	-	-	-	-	03
8	Housing	-	-	-	2	-	-	-	-	-	-	-	-	1	1	1	-	-	-	1	-	06
9	Information, Tourism, Kannada and Culture	-	-	-	-	-	-	3	1	-	-	-	-	1	-	-	-	-	-	1	-	06
10	Labour	-	-	-	-	-	-	-	-	-	1	-	1	-	-	1	-	1	-	-	1	05
11	Legislature Secretariat	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	01
12	Revenue	-	-	-	1	1	1	-	1	-	-	-	-	1	1	-	-	1	-	-	4	11
13	Social Welfare	-	-	-	2	-	3	3	1	1	-	-	1	-	-	2	-	-	-	-	-	13
14	Urban Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	1	4	10	16
15	Women & Child Development	-	-	-	-	1	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	02
16	Youth Services and Sports	-	-	-	-	-	2	-	2	-	-	-	-	-	-	-	-	-	-	-	-	04
17	Agriculture, Forest, Home & Transport	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01
18	H&FW, PWD, & RDPR	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	01
19	Forest, Ecology & Environment, Urban Development and H&FW	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	01
<b>Total</b>		<b>5</b>	<b>3</b>	<b>7</b>	<b>14</b>	<b>13</b>	<b>11</b>	<b>10</b>	<b>13</b>	<b>7</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>4</b>	<b>7</b>	<b>5</b>	<b>9</b>	<b>21</b>	<b>157</b>

(Source: Audit Reports and paragraphs discussed by PAC as of December 2013)

**Appendix-2.1**  
**(Reference: Paragraph-2.1.6.1, Page-18)**  
**District-wise distribution of residential schools**

Sl.No	District	SC			ST			BC			MW			Total		
		As of 01-04-2008	After 01-04-2008	Total	As of 01-04-2008	After 01-04-2008	Total	As of 01-04-2008	After 01-04-2008	Total	As of 01-04-2008	After 01-04-2008	Total	As of 01-04-2008	After 01-04-2008	Total
1	Bagalkot	9	3	12	-	1	1	2	1	3	1	-	1	12	5	17
2	Bangalore Rural	-	2	2	1	-	1	1	-	1	-	-	-	2	2	4
3	Bangalore Urban	2	1	3	-	-	-	1	-	1	-	-	-	3	1	4
4	Belgaum	10	6	16	2	4	6	9	3	12	1	-	1	22	13	35
5	Bellary	5	3	8	6	4	10	5	3	8	1	1	2	17	11	28
6	Bidar	7	4	11	-	1	1	1	4	5	1	-	1	9	9	18
7	Bijapur	7	4	11	-	1	1	1	1	2	3	-	3	11	6	17
8	Chamarajanagara	4	2	6	3	1	4	2	-	2	1	-	1	10	3	13
9	Chikkaballapura	3	5	8	1	1	2	-	1	1	1	1	2	5	8	13
10	Chikkamagalur	8	2	10	2	-	2	5	1	6	2	-	2	17	3	20
11	Chitradurga	4	4	8	3	3	6	1	2	3	1	1	2	9	10	19
12	Dakshina Kannada	4	-	4	-	-	-	2	2	4	2	-	2	8	2	10
13	Davanagere	4	3	7	1	3	4	4	-	4	3	-	3	12	6	18
14	Dharwad	1	4	5	-	1	1	-	2	2	2	-	2	3	7	10
15	Gadag	5	2	7	-	1	1	1	-	1	1	-	1	7	3	10
16	Gulbarga	8	10	18	-	-	-	6	1	7	3	-	3	17	11	28
17	Hassan	5	6	11	-	-	-	11	1	12	4	-	4	20	7	27
18	Haveri	4	5	9	1	2	3	5	-	5	1	-	1	11	7	18
19	Kodagu	1	-	1	1	-	1	2	-	2	1	1	2	5	1	6
20	Kolar	4	4	8	-	1	1	3	1	4	2	-	2	9	6	15
21	Koppal	4	3	7	1	2	3	3	-	3	4	-	4	12	5	17
22	Mandya	8	6	14	-	-	-	9	-	9	1	-	1	18	6	24
23	Mysore	8	5	13	3	2	5	3	-	3	2	-	2	16	7	23
24	Raichur	7	4	11	3	4	7	4	-	4	3	-	3	17	8	25
25	Ramanagara	4	3	7	1	-	1	8	-	8	3	-	3	16	3	19
26	Shimoga	4	5	9	-	-	-	5	1	6	1	1	2	10	7	17
27	Tumkur	7	8	15	2	2	4	4	2	6	2	-	2	15	12	27
28	Udupi	1	-	1	-	-	-	2	2	4	-	-	-	3	2	5
29	Uttara Kannada	3	3	6	1	1	2	3	-	3	1	-	1	8	4	12
30	Yadgir	9	1	10	-	2	2	1	1	2	-	-	-	10	4	14
		150	108	258	32	37	69	104	29	133	48	5	53	334	179	513

(Source: Information furnished by Society)



**Appendix-2.2**  
**(Reference: Paragraph-2.1.6.1, Page-18)**  
**District-wise distribution of residential colleges**

Sl. No	District	SC	ST	BC	MW	Total
		Since 1 April 2008				
1	Bagalkot	-	-	1	-	1
2	Bangalore Rural	1	-	-	-	1
3	Bangalore Urban	-	-	1	-	1
4	Belgaum	-	-	1	-	1
5	Bellary	-	1	-	-	1
6	Bidar	-	-	-	1	1
7	Bijapur	1	-	-	-	1
8	Chamarajanagara	1	-	-	-	1
9	Chikkaballapura	-	-	1	-	1
10	Chikkamagalur	1	-	-	-	1
11	Chitradurga	1	-	-	-	1
12	Dakshina Kannada	-	-	-	1	1
13	Davanagere	1	-	-	-	1
14	Dharwad	-	-	1	-	1
15	Gadag	-	-	1	-	1
16	Gulbarga	1	-	-	-	1
17	Hassan	1	-	-	-	1
18	Haveri	-	-	1	-	1
19	Kodagu	-	-	1	-	1
20	Kolar	1	-	-	-	1
21	Koppal	1	-	-	-	1
22	Mandya	-	-	1	-	1
23	Mysore	1	-	-	-	1
24	Raichur	-	1	-	-	1
25	Ramanagara	-	-	-	1	1
26	Shimoga	-	-	1	-	1
27	Tumkur	1	-	-	-	1
28	Udupi	-	-	1	-	1
29	Uttara Kannada	-	-	1	-	1
	Total	12	2	12	3	29

(Source: Information furnished by Society)  
Number of residential colleges as of 1 April 2008 – nil

**Appendix-2.3****(Reference: Paragraph-2.1.6.2, Page-21)****Residential schools not having either bathrooms or toilets or both**

<b>Name and Place of school</b>	<b>Remarks</b>
KRCRS, Aurad, Gulbarga	There was no bathroom or toilets for girl students either in the hostel or in the school. The girl students used the open space for bathing and defecation
MDRS, Bikkegudda, Gubbi	There were no bathrooms or toilets for boys and girls
KRCRS, Indi	The school functioned in two buildings separated by a distance of half a kilometre. While one building did not have any bathroom or toilet, the other building had a single bathroom and four toilets which were in a state of disuse.
MDRS, Gabbur, Deodurga	There was only one bathroom and two toilets for girl students. There was no bathroom or toilet for boys.
KRCRS, Karjol, Bijapur	There were no toilets and only two bathrooms were available.
MDRS, Raichur town	There were no bathrooms for boys and open space provided with taps was being used by boys for bathing.
MDRS, Chittapur Town	There were no toilets. Only two bathrooms for both boys and girls were available.
MDRS, Chadchan, Indi	There were only two bathrooms and two toilets for boys and girls.
MDRS, Mukthimath, Belgaum	There were no bathrooms or toilets for the boys.
MDRS, Belamagi, Gulbarga	There was no bath/toilet facility for boys.

(Source: Joint inspection of schools and colleges)



## Appendix-2.4

(Reference: Paragraph-2.1.6.2, Page-21)

**Other infrastructural deficiencies noticed during the joint inspection of residential schools and colleges**

MDRS at Chittapur town, Dandotti, Gillesugur and Nanjangud and KRCRS at Aurad, Ganadhal, and Indi where classes had been conducted in the open and in the corridors.

MDRS, Nanjangud



KRCRS, Ganadhal, Raichur



KRCRS, Aurad, Gulbarga



MDRS at Baby Betta, Belamagi, Bikkegudda, Chadchan, Gabbur, Huliurdurga, Indi, Kurudihalli, Mukthimath, Natekal, Sindhigere, Sakarapatna, Shikaripura and Shiralakoppa where there were no separate classrooms, dormitories or dining halls. During day time, the available space was used for conducting classes while it served as a dormitory during the night.

MDRS, Bikkegudda, Gubbi



KRCRS, Indi



MDRS, Mallanayakanahalli, Kunigal



MDRS at Belamagi, Chittapur Town, Gabbur, Ganadhal, Jagat and Nanjangud, KRCRS at Aurad, and Yallamanapalya, MDR PU College at Bijapur and Tumkur which did not have proper kitchen and dining facilities.

MDRS, Gabbur, Deodurg



MDR PU College, Tumkur



MDRS, Chittapur Town



MDRS at Gillesugur and Hukkeri, KRCRS at Deodurg, MDR PU College at Deodurg and Mandya shared classrooms with private schools and colleges.

MDRS, Gillesugur, Raichur sharing with two more colleges



MDR PU College, Deodurg and KRCRS, Deodurg sharing with a private school, PU and Degree colleges



MDR PU College, Mandya sharing with a private college





MDRS at Dandotti and Yeragere, KRCRS at Aurad and Deodurg, MDR PU College at Deodurg functioned in unhygienic surroundings.

KRCRS, Aurad, Gulbarga



MDRS, Dandotti, Chittapur



MDRS, Yerigere, Raichur



MDRS at Alkod, Dandotti, Kundana, Sindhigere and Yerigere, KRCRS at Mudalakopalu functioned in many scattered buildings.

MDRS, Kundana functioning in six scattered buildings



MDRS at Belamagi, Dandotti, Halaganahalli and Melkote, KRCRS at Indi, Karjol and MDR PU College at Hassan had hostels at distant places ranging from  $\frac{1}{2}$  to  $1\frac{1}{2}$  km.

(Source: Joint inspection of schools and colleges)



**Appendix-2.5**  
**(Reference: Paragraph-2.1.7.1, Page-25)**  
**Statement of the release of grants by the Departments to the Society at the fag end of the year**

(₹ in crore)

	SOCIAL WELFARE DEPARTMENT					TOTAL	TRIBAL WELFARE DEPARTMENT					TOTAL
	2008-09	2009-10	2010-11	2011-12	2012-13		2008-09	2009-10	2010-11	2011-12	2012-13	
Total grants released during the year	48.77	76.88	117.06	166.34	184.00	593.04	12.17	15.84	79.75	58.39	132.07	298.22
Total grants during the last quarter	48.46	25.21	68.99	69.06	87.50	299.21	6.95	6.57	56.63	37.90	73.13	181.18
Total grants released during March	12.47	18.60	42.54	51.05	33.75	158.41	5.56	4.57	21.49	20.63	36.04	88.29
Percentage of grants released during 4 <sup>th</sup> quarter to the total grants	99	33	59	42	48	50	57	41	71	65	55	61
Percentage of grants released during March to the total grants	26	24	36	31	18	27	46	29	27	35	27	30

	BACKWARD CLASS WELFARE DEPARTMENT					TOTAL	MINORITIES WELFARE DEPARTMENT					TOTAL
	2008-09	2009-10	2010-11	2011-12	2012-13		2008-09	2009-10	2010-11	2011-12	2012-13	
Total grants released during the year	29.38	26.20	30.30	152.04	151.23	389.15	11.78	22.33	18.00	46.15	51.15	149.41
Total grants during the last quarter	29.38	16.64	13.90	87.88	67.39	215.19	11.55	11.17	6.50	28.08	37.36	94.66
Total grants released during March	22.13	16.64	10.33	66.72	27.01	142.83	11.32	6.17	0.75	17.02	23.58	58.84
Percentage of grants released during 4 <sup>th</sup> quarter to the total grants	100	64	46	58	45	55	98	50	36	61	73	63
Percentage of grants released during March to the total grants	75	64	34	44	18	37	96	28	4	37	46	39

(Source: Information furnished by the Society)

**Appendix-2.6**  
**(Reference: Paragraph-2.1.7.7, Page-27)**  
**Statement showing the pendency of Utilisation Certificates**

(₹ in crore)

Year	Social Welfare			Tribal Welfare			Backward Classes Welfare			Minorities Welfare		
	Grants received	UCs submitted	Out-standing UCs	Grants received	UCs submitted	Out-standing UCs	Grants received	UCs submitted	Out-standing UCs	Grants received	UCs submitted	Out-standing UCs
2008-09	33.66	13.74	19.92	8.31	2.89	5.42	33.70	8.11	25.59	12.46	1.04	11.42
2009-10	64.32	5.38	58.94	12.34	-	12.34	31.79	11.57	20.22	23.25	1.27	21.98
2010-11	119.60	59.25	60.35	73.25	21.67	51.58	28.86	28.86	-	18.46	18.38	0.08
2011-12	169.75	161.58	8.17	46.39	-	46.39	136.75	106.75	30.00	46.74	-	46.74
2012-13	186.71	-	186.71	112.24	-	112.24	154.69	126.82	27.87	51.70	-	51.70
<b>Total</b>	<b>574.04</b>	<b>239.95</b>	<b>334.09</b>	<b>252.53</b>	<b>24.56</b>	<b>227.97</b>	<b>385.79</b>	<b>282.11</b>	<b>103.68</b>	<b>152.61</b>	<b>20.69</b>	<b>131.92</b>

(Source: Information furnished by the Society)



## Appendix-2.7

(Reference: Paragraph-2.1.8.1(iv), Page-31)

## Details of tenders where financial bids had been irregularly opened

Name of the bidder	Name of the work	Date of technical evaluation report	Reasons for the bid not being substantially responsive	Whether any work had been awarded after technical qualification
KMV Projects Limited	KRCRS at Sasavigere, and Raghuttahalli KRCRS at Madhapura KRCRS at Navalgund MDRS, Kundana	14.10.10 02.09.10 13.09.11 13.09.11	Details regarding the work on hand, technical personnel, plant and machinery, EMD, credit/overdraft certificate not submitted in respect of KRCRS at Sasavigere and Raghuttahalli. Required details were similarly not submitted in respect of KRCRS at Madhapura VAT returns and solvency certificate not submitted in respect of KRCRS at Navalgund and MDRS, Kundana.	KRCRS at Madhapura had been awarded
Standard Constructions	KRCRS at Hura, Dharmapura, Sasavigere and Adavibhavi	14.10.10	Details of annual turnover, audit reports of accounts, work on hand, technical personnel, execution of similar works, electrical and plumbing contractors etc not submitted	KRCRS at Dharmapura had been awarded
Krishna Constructions	KRCRS at Raguttahalli	14.10.10	Details of company profile, work on hand, technical personnel, execution of similar work, EMD etc not submitted	-
R.Chandrasekhar	MDRS at Haradanahalli	14.10.10	Details of work on hand, credit/overdraft facility, EMD etc not submitted	-
Mark Infrastructure Limited	MDRS at Vaderahalli and Yerrangalli	12.01.11	The company did not have the required annual turnover.	-
Sridevi Constructions	MDRS at Kundana	13.09.11	VAT returns and solvency certificate not submitted	-
S.R.Constructions	MDRS, Heranjlu village, Baindoor	13.09.11	Original attested copy of the licence, details of plant and machinery etc not submitted	MDRS, Heranjlu village, Baindoor had been awarded
Apoorva Constructions	MDRS, Heranjlu village, Baindoor	13.09.11	Original copy of the licence duly attested not submitted; PAN number did not match with the PAN number on the IT returns	-

(Source: Information furnished by Society)

**Appendix-2.8****(Reference: Paragraph-2.1.8.1 (iv), Page-31)****Eligibility criteria prescribed for hiring of PMCs**

<b>Year</b>	<b>Eligibility criteria prescribed</b>
2008-09	No minimum eligibility criteria had been prescribed
2009-10	(i) 5 years experience as PMC in building construction. (ii) Annual turnover ₹ 10 crore in any one year in the last 3 years
2010-11	(i) 10 years experience as PMC in building construction. (ii) Should have executed similar work worth of 5 crore for State/Central Government (iii) Minimum average turnover of 20 crore in the last 3 years
2010-11	(i) 10 years experience as PMC in building construction (ii) Should have executed work worth of ₹ 4 crore for Central/State/State Undertakings (iii) Average turnover of ₹ 15 crore in the last 3 years
2011-12	(i) 5 years experience as PMC in building construction (ii) Should have executed work worth ₹ 2 crore for Central/ State/ State Undertakings (iii) Average turnover of ₹ 5 crore in the last 3 years
2011-12	(i) 5 years experience as PMC in building construction (ii) Should have executed work worth of ₹ 2 crore for Central/ State/ State Undertakings (iii) Average turnover of ₹ 2 crore in the last 3 years
2012-13	(i) 5 years experience as PMC in building construction (ii) Should have executed work worth of ₹ 2 crore for Central/ State/ State Undertakings (iii) Average turnover of ₹ 1 crore in the last 3 years

(Source: Information furnished by Society)



**Appendix-2.9**  
**(Reference: Paragraph-2.1.8.2, Page-37)**  
**Details of schools where construction had not commenced**

Sl No	Name of the school	Date of issue of work order	Date of handing over the site	Present status of the work	Tender cost (₹ in crore)
1	MDR PU College (SC) Guddada Ranganahalli, Chitradurga Taluk & District	12.09.12	05.11.12	Deputy Commissioner had been requested to provide alternative site as the selected site belonged to the Forest department.	4.84
2	KRCRS (SC) , Devigere Village, Hosadurga Taluk	15.11.2012	30.01.2013	The local people had obtained a stay order from the Civil Judge, Hosadurga against allotment of land for the school.	4.62
3	Minority MDRS Complex Raichur Taluk & District	08.03.2012	21.06.2012	Local people had objected to the construction claiming that the site belonged to their ancestors.	5.07
4	Muslim Residential School, Srirangapatna Taluk	04.01.2013	Yet to be handed over	DC Mandya had allotted (August 2011) 5 acres of land. However, the local people had obtained temporary injunction from the local court against the allotment	9.64
5	MDRS Sindhigere, Chikamagalore taluk & District	17.02.2010	05.03.2010	The work could not be started as the Forest Department had raised objection that the land belonged to them. Alternative private land was purchased (June 2012) and the contractor was requested to take up the work at the tendered rates. The contractor refused to take up the work and the contract was rescinded (Oct 2012). The work had been tendered in August 2013 and the agency was yet to be fixed.	4.93
6	SC MDR PU College, Varkodu, Mysore	31.10.2012	Yet to be handed over	The PU College was to be constructed in the premises of the existing MDRS complex. However, the site could not be handed over to the contractor as the permission was yet to be obtained from the Forest Department for felling the trees.	5.11
7	ST MDRS Complex, Kundana, Devanahalli taluk	16.06.2007	27.07.2007	The work was stopped due to a revision petition filed by the locals in the Karnataka Appellate Tribunal against the allotment. Though the petition was dismissed, the contractor refused to undertake the work at the tendered rates, and the Society rescinded the contract and fresh tenders were invited (July 2011). However, the tender was kept in abeyance as the contractor had obtained a stay order from the High Court of Karnataka. An amount of ₹ 19.60 lakh paid to the agency for the work done had remained unfruitful.	3.28

(Source: Information furnished by Society)

**Appendix-2.10**  
**(Reference: Paragraph-2.1.8.2, Page-38)**  
**Unspent balance with DCs**

(₹ in lakh)

Sl. No	District	No. of schools	Amount released to Deputy Commissioners	Expenditure	Unspent balance as on 16.05.2013	Percentage of unspent balance
1	Bangalore Urban	2	29.47	5.86	23.61	80
2	Bangalore Rural	1	7.87	6.98	0.89	11
3	Ramanagara	16	122.83	122.00	0.83	1
4	Chitradurga	10	77.46	77.46	-	-
5	Kolar	11	78.45	31.14	47.31	60
6	Chikkaballapura	4	28.59	27.20	1.39	5
7	Shimoga	9	103.00	91.48	11.52	11
8	Tumkur	12	80.30	80.30	-	-
9	Davangere	14	128.71	115.88	12.83	10
10	Mysore	12	80.57	59.58	20.99	26
11	Chikamagalur	12	101.24	100.80	0.44	-
12	Dakshina Kannada	9	76.59	71.76	4.83	6
13	Hassan	21	199.07	100.16	98.91	50
14	Mandya	14	155.67	136.72	18.95	12
15	Chamarajanagar	5	57.91	56.09	1.82	3
16	Udupi	5	44.35	43.52	0.83	2
17	Kodagu	4	42.80	41.07	1.73	4
18	Belgaum	23	174.89	173.64	1.25	1
19	Bijapur	7	88.80	56.47	32.33	36
20	Dharwad	6	27.14	26.77	0.37	1
21	Uttara Kannada	7	41.14	36.56	4.58	11
22	Bagalkot	10	108.53	108.48	0.05	-
23	Gadag	7	74.81	72.43	2.38	3
24	Haveri	12	100.85	95.20	5.65	6
25	Gulbarga	15	163.32	162.00	1.32	1
26	Yadgir	7	78.35	78.35	-	-
27	Bellary	14	158.79	158.76	0.03	-
28	Bidar	9	71.76	35.08	36.68	51
29	Raichur	8	92.90	84.48	8.42	9
30	Koppal	12	119.91	112.52	7.39	6
<b>Total</b>		<b>298</b>	<b>2716.07</b>	<b>2368.74</b>	<b>347.33</b>	<b>13</b>

(Source: Information furnished by the Society)



## Appendix-2.11(a)

(Reference: Paragraph-2.1.9, Page-39)

## Details of sanctioned posts, men in position and vacancies as of June 2013

Details of sanctioned posts, men in position and vacancies as of June 2013						
Sl. No	Posts	No. of sanctioned Posts	Men in position			Vacancies as of June 2013
			Appointed	Absorbed	Total	
Teaching Staff						
1	Principal	460	240	56	296	164
2	Kannada Teacher	460	303	81	384	76
3	English Teacher	460	292	62	354	106
4	Hindi Teacher	460	357	66	423	37
5	Mathematics Teacher	460	397	10	407	53
6	Science Teacher	460	359	36	395	65
7	Social Science Teacher	460	317	69	386	74
8	Physical Education Teachers	460	371	56	427	33
9	Computer Teacher	460	412	-	412	48
10	Craft Teacher	460	-	-	-	460
11	Music Teacher	460	234	-	234	226
	Total teaching staff (A)	5060	3282	436	3718	1342
Non-teaching staff						
12	Staff Nurse	261	222	-	222	39
13	First Division Assistant	261	196	-	196	65
14	Warden	182	130	-	130	52
	Total non-teaching staff (B)	704	548	-	548	156
	Grand Total (A) + (B)	5764	3830	436	4266	1498

## Appendix-2.11(b)

(Reference: Paragraph-2.1.9.5, Page-45)

## Position of vacancies and excess staff

Name of the post	No of schools which furnished information	Number of schools with excessive staff	Number of schools where the post was vacant	Percentage of vacancies
Principal	456	10 with 2 principals	107	23
Kannada teacher	456	33 with 2 teachers	31	7
English teacher	457	32 with 2 teachers	70	15
Hindi teacher	458	51 with 2 teachers	20	4
Mathematics teacher	464	31 with 2 teachers 1 with 3 teachers	32	7
Science teacher	461	18 with 2 teachers	42	9
Social Science teacher	454	34 with 2 teachers	30	7
Computer teacher	454	12 with 2 teachers 1 with 3 teachers	38	8
Physical Education teacher	454	34 with 2 teachers	15	3
Warden	468	1 with 2 wardens	234	50
First Division Assistant	444	2 with 2 First Division Assistant	185	42

(Source: Information furnished by schools)

**Appendix-3.1****(Reference: Paragraph-3.1.5.1, Page-61)****Details of payment of incentives under Suvarna Bhoomi Yojane-  
Agriculture during 2011-12 and 2012-13**

Sl. No	District	No. of beneficiaries		Beneficiaries not availing second installment	Amount paid (₹ in crore)	
		First installment	Second installment		First installment	Second installment
2011-12						
1	Bijapur	8045	7137	908	3.85	3.64
2	Chamarajanagara	9233	8925	308	3.76	3.54
3	Gadag	12042	12042	-	5.64	5.71
4	Gulbarga	15065	15065	-	7.00	7.00
5	Hassan	16910	10900	6010	5.86	4.96
6	Mandya	12561	12561	-	4.31	4.31
7	Raichur	10207	9768	439	4.78	4.53
8	Ramanagara	10160	9842	318	3.65	3.40
9	Shimoga	12648	2655	9993	4.77	1.13
10	Tumkur	24457	23820	637	9.62	9.18
	TOTAL	131328	112715	18613	53.24	47.40
2012-13						
1	Bijapur	6751	6615	136	3.28	2.79
2	Chamarajanagara	5359	5034	325	2.26	2.12
3	Gadag	6712	6656	56	3.17	3.13
4	Gulbarga	9149	9149	-	4.57	4.57
5	Hassan	11136	10640	496	4.10	3.90
6	Mandya	8918	8918	-	3.23	3.23
7	Raichur	6008	5869	139	2.81	2.75
8	Ramanagara	4990	3644	1346	1.86	1.33
9	Shimoga	8783	683	8100	3.49	0.25
10	Tumkur	13662	13407	255	5.54	4.56
	TOTAL	81468	70615	10853	34.31	28.63

(Source: Information furnished by JDAs and ADAs)



**Appendix-3.2**  
**(Reference: Paragraph-3.2.5.1, Page-70)**  
**Invalid data in the master table**

Column Name in sr-emp_basic_dtls	Remarks	Reply of the Government
Curr_basic_pay	This column meant for entering the basic pay of employees had 320 records with value less than ₹ 1000 where as the minimum basic pay as per the Revised Pay Scales 2012 was ₹ 9,600.	During the initial phase of implementation, some incorrect data had got migrated. The invalid data was a legacy data. As service records were permanent, these inactive records pertaining to service could not be deleted. The data would be moved to an archive of inactive/invalid records.
Next_Incr_date	This column stores the date on which the next increment is due for the employee. While 242 records had date of next increment later than 01.01.2015 up to 01.05.5012, 76403 records had date of next increment from 01.01.1968 to 31.12.2012	Out of 242 records, 87 records were contract employees and HRMS did not allow any increment for contract employees. As on date, there were 143 records where increment date was later than 1.1.2015 and exception reports had been sent to the HODs for confirmation. The odd date like 1.5.5012 was due to wrong data entry by the DDO and further validations were being introduced to prevent data entry mistakes. Regarding records having increment date earlier to 1.1.2003, the Government stated that there were 36003 such records as on date and the system allowed the DDOs to stop increments for various reasons. The reply was silent as to the how the date of next increment could be as early as 1.1.1968.
Old_Basic Pay	“Old Basic Pay” column shows the basic pay which was previous to the current basic pay while effecting the promotion for the employee. We found that 28311 records had null value and two records had basic pay less than ₹ 1000/-	As on date, there were 14438 records with null values and no promotions or increments had been given to them after going live.
emp_name	There were 14 records where names of employees had been entered as “VACANT”. However, all other information like Kgid_No, Curr_Basic_Pay, Join_dt, DDO_Code, Emp_Id existed in these cases	All the names of the employees had been made inactive and DDO had been informed to provide details of these cases for closure. The employees’ name modification had been made an exceptional transaction requiring the approval of the designated officer.

(Source: HRMS database)

**Appendix-3.3**  
**(Reference: Paragraph-3.2.5.3 Page-71)**  
**Invalid KGID policy numbers**

Employee ID	KGID_No.	Employee name	Date of birth	Date of joining
0911026605	0000000	SUDHA BIRADAR	07/06/1988	06/15/2010
0900967804	000000000026	SOWMYA B R	07/31/1987	02/18/2009
0900960411	0000000150	NARASHIMHAPPA B	06/10/1964	11/24/2008
0911000836	0000000157	THIPPESWAMY	10/19/1975	04/26/2010
0911000839	0000000159	SATHEESH G	05/06/1987	04/27/2010
0911000843	0000000162	MAHMAD RAFEEL NADAF	06/01/1980	04/27/2010
0911000844	0000000163	NAGARAJU T L	04/14/1968	04/27/2010
0911000846	0000000165	VIRUPAKSHI NADAGOWDA	06/01/1982	07/01/2010
0911066524	000000020	CHANDRASHEKAR G	06/10/1983	12/07/2012
0911001022	0000000700	RAVIKUMAR M R	12/05/1983	04/27/2010
0911027975	000000124	RAJESH KANAVALLI	06/01/1988	06/11/2010
0911000842	000000161	ABUBKAR SIDDIQM	07/04/1984	04/27/2010
0911028695	0000002	PARVATI	06/01/1988	06/01/2010
0900911015	00000023	NAGARAJA S	04/01/1974	08/07/2002
0911028819	0000004	SUMALATA C HADIMANI	06/30/1985	03/03/2008
0900904687	0000010	NARASHIMAPPA V	06/03/1971	08/01/2002
0900960258	9999990088	SAHARA	04/26/1987	01/31/2009
0900698973	9999991	BHASKAR DHAKALO KOCHREKAR	07/11/1984	04/30/2007
0900991811	9999997	SANTHOSH PAMMAR	06/01/1988	05/31/2010
0911059187	999999999	DR.KADAMBARI C	05/20/1977	03/07/2012

(Source: HRMS database)



**Appendix-3.4**  
(Reference: Paragraph-3.2.6., Page-73)  
**Erroneous deductions towards Employees' General Insurance Scheme**

<b>Cadre</b>	<b>Group to which the officer belonged</b>	<b>Group wrongly classified as</b>	<b>Amount to be deducted</b>	<b>Amount actually deducted</b>
AGRICULTURE OFFICER	B	C	180	120
AMRED POLICE CONSTABLE	C	D	120	60
ATTENDER / LIFT ATTENDER	D	C	60	120
SUPERINTENDENT	C	B	120	180
ASSISTANT DIRECTOR OF PROSECUTION	A	B	240	180
RANGE FOREST OFFICER	B	A	180	240
RANGE FOREST OFFICER	B	C	180	120

(Source: HRMS database)

**Appendix-3.5**  
**(Reference: Paragraph-3.3.6.3, Page-89)**  
**Irregular payment of benefits**

Sl. No.	Category of claims	No. of cases	Amount excessively or irregularly paid (₹)	Reference to the relevant Rule	Audit findings
1.	Claims for natural death	7	5,67,000	Rule 47	Dependents of the beneficiary meeting with an accident resulting in death are entitled to ₹ 1 lakh. However, this benefit was irregularly given to dependents of beneficiaries who had died a natural death as per the medical certificates enclosed to the claims. In the case of natural death, the dependents were entitled to only ₹ 19000. In seven cases, the Board irregularly paid ₹ 7 lakh applicable for death due to accident against ₹ 1.33 lakh admissible for natural death.
2.	Disablement not due to accident	1	1,00,000	Rule 47	In case of total/partial permanent disablement due to accidents, the beneficiary is entitled to ₹ 1 lakh or such proportionate percentage of compensation to the disablement suffered. However, the benefit was irregularly given for disablement caused by paralysis and not due to accident.
3.	Incident occurring prior to the cut-off date prescribed by the Rules	34	18,53,000	Rule 47, 47A	In these cases, the accidents to the beneficiaries and the permanent/partial disablement suffered by the beneficiaries had occurred prior to the cut-off dates prescribed in the Rule. Nevertheless, the Board transferred the benefits irregularly.
4.	Incidents occurring prior to the date of registration as a beneficiary	16	7,50,727	Section 11 of the Act	In these cases, the beneficiaries submitted claims relating to incidents that had occurred during the period prior to registration as beneficiaries. The Board irregularly paid ₹ 7.51 lakh to the beneficiaries.
5.	Assistance for the third delivery of a child	5	30,000	Rule 43	Financial assistance of ₹ 6000 is to be given only for the first two deliveries. In these cases, the benefit was irregularly given for delivery of the third child.
6.	Educational assistance for three children	2	3,000	Rule 45	Only two children of the beneficiary are to be given this assistance. Instead, it was given for the third child in these cases.
7.	Treatment in unrecognised private hospitals	1	51,400	Rule 46 and 48	The Board irregularly admitted claims for treatment in unrecognised private hospital instead of Government and authorised private hospitals.
8.	Ex-gratia for accidental death	3	45,000	Rule 44	Ex-gratia of ₹ 15000 is payable only in the case of natural death of a registered construction worker. However, this had been paid in three cases of accidental deaths.
9.	Claims submitted before completion of the stipulated period	5	17,600	Rule 45	The beneficiaries were eligible for benefits only on completion of one year after becoming a beneficiary. However, the stipulated period had not been completed in these cases but the Board sanctioned benefits.



Sl. No.	Category of claims	No. of cases	Amount excessively or irregularly paid (₹)	Reference to the relevant Rule	Audit findings
10.	Claims not supported by prescribed documents	45	29,11,394	Rule 44, 45, 46, 47, 48 and 49	The claims had not been supported in these cases by documents prescribed under the respective schemes such as post-mortem report, discharge summary, marriage certificate, death certificate etc. The Board overlooked the requirements and sanctioned the benefits in these cases.
11.	Medical claims on the basis of estimates	9	3,23,500	Rule 48	In these cases, the Board sanctioned benefits on the basis of estimates given by the hospitals for treatment of the beneficiaries. The actual cost of treatment had not been verified after sanction.
12.	Conflicting medical certificates	2	1,60,000	Rule 47	In one case, the Board disbursed ₹ 80000 to the beneficiary for disablement caused by accident. While the medical certificate certifying the disablement was dated 15 November 2011, the accident, as per the employer's certificate, occurred at a later date viz. 12 August 2012. In another case, the Board disbursed ₹ one lakh to the beneficiary for total disablement caused by accident on the strength of the medical certificate issued by the recognised hospital on 24 April 2009. It was, however, seen that the same hospital had issued another medical certificate on the same day, certifying the disablement around 40 per cent.
13.	Persons who have paid only registration fees but not paid any subscription amount even 6 months after registration	2	1,19,000	Rule 21A	On the date of submission of claims, the beneficiaries had not paid any subscription.
14.	Medical Assistance given for treatment not covered under the Rule	1	50,000	Rule 48	Financial assistance given in April 2011 for undergoing angiography which was not permissible upto 26-8-2011.
15.	Excess claims	8	81,000	Rule 45 and Rule 48	In these cases, the benefit given by the Board was in excess of the actual claims.
16.	Medical certificate issued by Doctors other than who treated the beneficiaries	5	4,17,000	Rule 47(4)	In these cases, medical certificates were obtained from Doctors other than those who treated these beneficiaries.
<b>Total</b>		<b>146</b>	<b>74,79,621</b>		

(Source: Board's records)

**Appendix-3.6**  
**(Reference: Paragraph 3.15, Page-115)**  
**Details of excessive grants released to institutions**

(₹ in lakh)

Sl. No.	Name of the institution	Amount to be released	Amount released	Excess release
1	Kumbara Sangha, Kalasipalya, Bangalore	5.00	25.00	20.00
2	Viswa Ganigara Samudaya trust, Bangalore Urban Dist.	5.00	200.00	195.00
3	Arya Edigara Maha Samsthane, Ramanagara	5.00	50.00	45.00
4	Sri Kanaka Guru Peeth Institution, Shivamogga	5.00	50.00	45.00
5	Agnikula Tigalara Janaga, Tumkur	5.00	40.00	35.00
6	Raju Kshatriya Sangha, Koratagere, Tumkur	5.00	24.00	19.00
7	Nolamba Veerashaiva Shangha, Haveri	5.00	50.00	45.00
8	Vivekananda Vidyapeetha School and Hostel, Gulbarga	5.00	50.00	45.00
9	Uppara Upaveera Jagadguru Educational Institution, Hosadurga	5.00	100.00	95.00
10	Yadav Sangh, Ranganath complex, Shivamogga	5.00	25.00	20.00
11	Gollahatti Development, Jagalur, Davanagere	5.00	60.00	55.00
12	Karnataka Viswakarma Educational Trust, J.P.Nagar, Bangalore	5.00	50.00	45.00
13	Daivajna Mahasamste, Uttara Kannada dist.	5.00	100.00	95.00
14	Balavalikar Samaj, Manipal	5.00	100.00	95.00
15	Shiva Sarana Ambigara Choudayya Memorial Hall (Raichur & Gulbarga)	5.00	200.00	195.00
16	Devaradasimhayya Memorial Hall, Gulbarga	5.00	50.00	45.00
17	Viswa Karma Trust, Kumaraswamy layout, Bangalore	5.00	100.00	95.00
18	Banajara Bhavan, Shikaripura	5.00	100.00	95.00
19	Bhageeratha Uppara Dharmika Trust, Vidyapeetha Road, Bangalore	5.00	100.00	95.00
20	Sri. Purushottamananda Mahaswamiji Upaveera Jagadguru Vidya Samsthe	5.00	100.00	95.00
21	Sri. Machideva Math, Chitradurga	5.00	50.00	45.00
22	Guru Haralayya Community Hall, Mysore	5.00	50.00	45.00
23	Sri. Chenmuladri Shilapura Bagheeratha Mahasamsthan, Chitradurga	5.00	50.00	45.00
24	Rachapura Saraswati Brahmana Sangha, Bantakallu, Udupi	5.00	100.00	95.00
25	Udupi Pejavara Mutt, Mysore	5.00	200.00	195.00
26	Udupi Pejavara Mutt, Udupi	5.00	100.00	95.00
	<b>Total</b>	<b>130.00</b>	<b>2124</b>	<b>1994.00</b>

(Source: Information furnished by the Department)



**Appendix-3.7**  
**(Reference: Paragraph 3.16, Page-116)**  
**Details of donations made by BDA during 2009-12**

Sl. No.	Recipient of the donation	Amount donated (₹ in lakh)	Date of payment	Purpose for which donation given
<b>2009-10</b>				
1.	Mahabodhi Society, Bangalore	5.00	25 April 2009	Celebrating 2553 <sup>rd</sup> Buddha Jayanthi
2.	Karnataka Olympic Association	1.50	12 May 2009	Awareness to donate human organs in an accident
3.	Vidyarthi Shikshana Seva Trust	2.00	15 May 2009	Sponsorship of Techno fair
4.	Bangalore Nagara Zilla Kannada Sahitya Parishath	2.00	14 July 2009	Contribution for 5 <sup>th</sup> Bangalore Nagara Zilla Kannada Sahitya Parishath
5.	VHD Central Institute of Home Science	1.00	21 July 2009	Sponsorship fee for UGC National Conference on role of Home Science
6.	Institute of Nephro Urology	100.00	28 July 2009	Purchase of Dialysis machine
7.	Bangalore Medical College and Research Institute	200.00	27 August 2009	Procurement of DRPACS and CT Scan machine
8.	Karnataka State Legal Services Authority	1.81	1 September 2009	State Level Conference on Building and Other Construction Workers Welfare Board – Printing of ID card, car pass, banners, pens, etc.
9.	Jayadeva Institute of Cardio Vascular Sciences	150.00	19 September 2009	Towards donation
10.	Dandu Pradesha Kannada Sanghatanegala Okkuta	1.00	23 September 2009	Towards contribution
11.	Shri Avni Shringeri Jagadguru Shankaracharya Peeta	0.25	29 September 2009	Towards contribution
12.	Secretary, National Conference on Urban Water Management, 2009	1.00	1 October 2009	Contribution to National Conference on Urban Water Management, Challenges and Options
13.	Secretary, National Conference on Urban Water Management, 2009	4.00	28 October 2009	Contribution to National Conference on Urban Water Management, Challenges and Options
14.	President, Kannada Rajyothsava Samithi, BDA	1.00	18 November 2009	For celebration of Kannada Rajyothsava function at BDA Head Office
15.	News-9	10.00	16 December 2009	Contribution towards Bangalore Walkthon for mobilising funds for flood relief
16.	ADIMA	10.00	31 December 2009	Donation for construction of dormitory at Kolar

Sl. No.	Recipient of the donation	Amount donated (₹ in lakh)	Date of payment	Purpose for which donation given
17.	Nava Karnataka Publications Pvt Limited.	5.00	8 January 2010	Donation towards Karnataka Kala Darshana
18.	International Children Film Festival	3.00	5 February 2010	Contribution for film festival
19.	Karnataka Rajyothsava Samithi	10.00	16 February 2010	Kannada Rajyothsava celebration
20.	Director, Rangayana, Mysore	5.00	22 March 2010	Contribution for Malegalalli Madhumagalu drama
21.	Bangalore Jalamandali Abhiyanthara Sangha	2.00	22 March 2010	Contribution for celebrating World Water Day
<b>Total</b>		<b>515.56</b>		
<b>2010-11</b>				
1.	BDA Drivers and Cleaners Association	2.00	5 April 2010	Silver Jubilee celebration of the Association
2.	Chitrasamuha	5.00	19 April 2010	Celebrating Chitravarsha
3.	Ashwathanarayana TR	0.50	17 May 2010	Contribution for arranging Bangaradantha Henu drama
4.	Harohalli Education Society	10.00	21 May 2010	Celebrating Golden Jubilee
5.	Shirdi Saibaba International Service Foundation	5.00	22 May 2010	Contribution for seva chethana cultural activities at Chikkanayakahalli
6.	Namma Sangha	6.00	25 June 2010	Purchase of APC truck for supply of LPG cylinders
7.	Chairman, International Conference, EPWCH	0.30	6 August 2010	Contribution for conference on international environmental pollution, water conservation and health
8.	Puttaswamy, PRO	0.50	21 August 2010	Sponsorship for workshop on Arkavathi river
9.	Bangalore Nagara Zilla Kannada Sahitya Parishath	2.00	31 August 2010	Contribution for 6 <sup>th</sup> Bangalore Nagara Zilla Kannada Sahitya Parishath
10.	Member Secretary, Karnataka State TP Board	1.00	31 August 2010	Contribution for workshop
11.	Manziah Everts and Entertainment	0.10	4 October 2010	Contribution for creating awareness on the crisis of our national animal, Tiger
12.	Karnataka Rajyothsava Samithi	10.00	11 November 2010	Contribution for Kannada Rajyothsava 2010-11
13.	Akhila Karnataka Kannada Chaluvalli Samithi	0.50	11 November 2010	Contribution for Kannada Rajyothsava 2010-11
14.	Kanada Rajyothsava Samithi	4.00	15 November 2010	For celebration of Kannada Rajyothsava function at BDA Head Office for 2010-11



Sl. No.	Recipient of the donation	Amount donated (₹ in lakh)	Date of payment	Purpose for which donation given
15.	State Secretary, Bharath Scouts and Guides, Karnataka State	1.00	1 December 2010	Sponsorship for 26 <sup>th</sup> Scouts and Guide Jamborisee, Karnataka
16.	Karnataka Architects Association	5.00	2 December 2010	Contribution for 26 <sup>th</sup> National Junior Architects Championship, 2010
17.	State Secretary, Bharath Scouts and Guides, Karnataka State	4.00	3 January 2011	Sponsorship for 26 <sup>th</sup> Scouts and Guide Jamborisee, Karnataka
18.	Akhila Bharata 77 <sup>th</sup> Kannada Sahitya Sammelana	50.00	28 January 2011	Contribution for celebrating Akhila Bharata Kannada Sahitya Sammelana
19.	Akhila Bharata 77 <sup>th</sup> Kannada Sahitya Sammelana	50.00	3 February 2011	Contribution for celebrating Akhila Bharata Kannada Sahitya Sammelana
<b>Total</b>		<b>156.90</b>		
<b>2011-12</b>				
1.	CM's Relief Fund	200.00	12 January 2012	Medical relief
2.	Aravali Foundation	2.00	7 February 2012	Providing financial assistance to Biennial International Congress on Urban Green Spaces 2012
3.	Akhila Karnataka Kannada Chaluvali Kendra Samithi	0.50	19 October 2011	Publication expenses
4.	Karnataka Chalana Chitra Academy	100.00	21 June 2011	To start Art Gallery
5.	Nirashritara Parihara Kendra	12.24	12 April 2011	Purchase of ambulance van
6.	Karnataka Rajyothsava Samithi	10.00	9 November 2011	Kannada Rajyothsava celebrations
7.	Karnataka Rakshana Vedike	15.00	4/27 June 2011	10 <sup>th</sup> year anniversary celebrations of the Rakshana Vedike
8.	Kannada Rajyothsava Samithi, BDA	4.00	15 November 2011	Rajyothsava celebrations at BDA Office
9.	Southern Command Investiture Ceremony	0.50	19 January 2012	Celebration of flag day
10.	Kum Nandini Cholaraju	0.25	8 December 2011	Sponsoring Himalaya Mountaineering
11.	Public Relation Council of India	2.00	24 November 2011	Organising international conference on global communication
<b>Total</b>		<b>346.49</b>		
<b>Grand Total</b>		<b>1018.95</b>		

(Source: BDA's records)

## Appendix-3.8

(Reference: Paragraph 3.22, Page-124)

## Excess payment due to irregular price adjustment for steel

(₹ in lakh)

Sl. No.	Name of the work	Contract Amount	Price adjustment amount paid for steel component	Price adjustment amount payable if correct indices were applied	Excess payment
1.	Providing, laying, testing and commissioning of MS pipeline from Nripathungabetta GLSR to MD Nagar of Hubli-Dharwad and from Old Hubli GLSR to Bidnal Ashraya Colony	1030.65	91.90	43.63	48.27
2.	Providing and laying of MS raw water raising main from jackwell to Narihalla reservoir near Tharanagar in Sandur town	1102.46	107.10	92.58	14.52
3.	Providing and laying of MS pipeline under improvements to water supply scheme to Byadgi town	219.56	20.56	16.53	4.03
4.	Comprehensive water supply scheme to Madhugiri town with Hemavathy canal as source	1853.77	49.39	33.74	15.65
5.	Water supply to Gurmitkal town and 27 enroute villages of Gulbarga district with Bhima river as source	1752.67	(-) 79.33	(-)108.76	29.75
<b>Total</b>					<b>112.22</b>

(Source: Information furnished by KUWS&amp;DB)





