

Chapter-III

Compliance Audit

Department for the Empowerment of Differently Abled and Senior Citizens

3.1 Schemes for the Empowerment of Differently Abled Persons

3.1.1 Introduction

The landmark legislation for the Differently Abled Persons (DAP) viz., "Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995" (PwD Act), enacted by the Government of India (GoI) provides a comprehensive national mandate for the elimination of discrimination against DAP in the areas of education, employment, public transportation, social security and access to public buildings and services in all walks of life. In this regard, the State Government has brought out a State policy and listed out the important steps to be undertaken by different Departments as regards health, education, justice and creation of barrier free environment to create a disabled friendly society.

3.1.2 Organisational set up

The Department for the Empowerment of Differently Abled and Senior Citizens (Department), which functions under the administrative control of the Principal Secretary, Women and Child Development & Empowerment of Differently Abled and Senior Citizens Department is headed by the Director, who is assisted by a Joint Director, two Deputy Directors, an Assistant Director and District Disability Welfare Officers (DDWO) as the implementing Officers at District Level.

In addition, an independent office of the State Commissioner for PwD has been established under the PwD Act. The State Commissioner is responsible not only to oversee the implementation of the PwD Act, but is also required to monitor the utilisation of the funds disbursed by the State Government against various schemes implemented for the benefit of DAPs, by co-ordinating with different departments of the State Government.

3.1.3 Audit Objectives

The main objective of the audit is to assess whether:

- the Department has been able to ensure compliance with the guidelines and eligibility criteria to identify the beneficiaries under various schemes for the DAPs;
- the intended benefits under various schemes have been provided to all the identified and eligible beneficiaries; and

- adequate internal controls and monitoring mechanisms exist in the department for identification of beneficiaries, allocation of resources and their utilisation towards the attainment of the stated objectives of the department.

3.1.4 Audit Criteria

The audit results were evaluated against the following criteria:

- Persons with Disability (Equal Opportunity, Protection of Rights and Full Participation) Act 1995;
- Rehabilitation Council of India Act, 1992;
- Persons with Disability (Equal Opportunity, Protection of Rights and Full Participation) (Karnataka) Rules, 2003, 2006 and 2016;
- Karnataka State Policy on Disability;
- Guidelines of the respective schemes, Government Orders and Circulars issued by the State Government; and
- Annual Reports of the State Commissioner for PwD.

3.1.5 Audit Coverage

The audit covering the period 2011-12 to 2015-16 was conducted during April to August 2016 through test-check of records at the Department as well as the Office of the State Commissioner for PwD. Records of the DDWOs were test-checked in the nine²⁰ selected districts, all Government institutions under the Department and some selected institutions maintained by Non-Government Organisations (NGOs) which receive grants from the Government for implementing various schemes for DAPs.

An entry conference was held with Director, Department for Empowerment of Differently Abled and Senior Citizens on 18 April 2016 in which the audit scope and methodology was explained. An exit conference was held on 14 December 2016 wherein the audit findings were discussed with the Principal Secretary to the Government of Karnataka, Department of Women and Child Development and Empowerment of Differently Abled and Senior Citizens Department. The Report takes into account replies furnished by the Department in response to the audit observations communicated to them.

Audit findings

3.1.6 Education

3.1.6.1 Development of educational infrastructure for DAP

Section 26 of the PwD Act, 1995 mandates that every child with a disability should have access to free education in an appropriate environment till the age

²⁰ Bengaluru (Urban), Ballari, Belagavi, Kalaburagi, Mandya, Mysuru, Tumakuru, Vijayapura. Two districts having highest population of DAPs in each of the four Revenue divisions were selected apart from one district (Davanagere) selected for pilot study.

of 18 years. It also mandates the setting up of special schools in both Government and private sector along with vocational training facilities. Further, Section 27 provides for the formation of schemes for non-formal education and for providing every differently abled child free special books and equipment needed for education.

We observed from the State Commissioner's report (May 2016) that out of 3.89 lakh Differently Abled Children (DAC) in the age group of 0-19 years in the State, as per the population census of 2011, only 1.14 lakh DAC (29 per cent) were studying in special schools or regular schools. We also observed that in some districts (details in **Table-3.1**), no special schools were setup, either by Government or through the private sector with aid from Government.

Table-3.1: Details of Districts where DAC are deprived of free special education

	Type of Disability		
	Mentally Retarded	Hearing Impaired	Visually Impaired
Districts in which there were no special schools (run by Government or aided by Government under Grant in Aid Code & Child Centric Scheme)	Vijayapura, Chamarajnagar, Ramanagara, Raichur, Yadgir	Bengaluru Rural, Chikkaballapur, Chamarajanagar, Dakshina Kannada, Kodagu, Ramanagara, Raichur and Yadgir	Bengaluru Rural, Chamarajnagar, Gadag, Haveri, Kodagu, Koppal, Kolar, Mandya, Udupi and Yadgir
No. of DAC (5-19 years age) in these districts in 2011	4,620	7,384	8,366

(Source: Census figures of 2011)

In addition, we observed that though free textbooks were provided to the DAC, no schemes were framed by the State Government for providing non-formal education.

In the State, there are eight special schools run by the Government, and 133 Child Centric (CC) Schools run by voluntary organisations. Audit observations on the review of functioning of seven test-checked Government special schools²¹, and 17 test checked CC schools (**Appendix-3.1**) are brought out in the succeeding paragraphs.

The Government replied (January 2017) that Department has been directed to ensure establishment of one special school in each category of disability in all the 30 districts across the State of Karnataka.

(a) *Government Special Schools*

In the test-checked seven Government Special schools, we observed the following:

- In order to practice as a rehabilitation professional, registration with Rehabilitation Council of India (RCI) was mandatory. However, none of the

²¹ Davanagere, Mysuru (2), Belagavi, Ballari and Kalaburagi (2)

teaching staff in the special schools possessed RCI registration certificate. Thus, the department had not ensured appointment of teachers with requisite qualifications in order to impart quality education. The Government replied (January 2017) that instructions have been issued to all the district officers to ensure the registration of all the special school teachers and rehabilitation experts in RCI and furnish compliance report by 30 January 2017.

- Against the sanctioned posts of 85 teachers, while 20 posts were filled through the department, 30 posts were filled through deputation and the balance 35 posts remained vacant. As a result, the teacher-student ratio ranged between 1:16 and 1:23²² in the three out of four test-checked schools for hearing impaired, which was much lower than the prescribed ratio of 1:10. We also observed that all the four posts of mobility instructors in four schools for visually impaired remained vacant. In the absence of mobility instructors, there is a risk that visually impaired children may not learn the skills to travel safely and independently within home and also in the community. The Government replied (January 2017) that Karnataka Public Service Commission has completed the examination process for 45 special teachers in government special schools and teachers will be posted against existing vacancies. Further, it stated that recruitment for the post of mobility instructor is under process.
- Though the PwD Act mandates that the appropriate Government shall endeavour to equip the special schools with vocational training facilities, the State Government has modified the syllabus which excludes vocational training. Hence, all the DAC studying in these schools are deprived of vocational training. The Department, however, has set up six Vocational Training Centres which impart training in traditional trades like bamboo craft making, weaving *etc.* The Department brought (June 2012) to the notice of the Government the need to revise the vocational training syllabus to suit the present day requirement and recommended alternative courses such as computers, crafts and fabric designing, which provide better employment opportunities. However, the Government is yet to take action on the said proposal (October 2016). Hence, there was a risk of DAC being unemployable as the skills imparted were not in convergence with the current avenues available in the country.
- We also observed that the two²³ out of the seven test-checked Government special schools were selected in Karnataka under the Government of India (GoI) project 'Setting up of ICT vocational training centres at schools for children with disabilities' (2010-13) and were provided with Computer Laboratory and a full time teacher. After cessation of the term of the project, the State Government had to run the Computer Laboratory out of its own resources. However, since the completion of the project in 2013, the infrastructure in both schools remained unutilised as Government of Karnataka (GoK) had not appointed the required faculty. This also resulted in a loss of opportunity for the DAC to acquire computer skills and make them more employable. With regard to the Audit observation, the Government

²² Belagavi-1:20; Ballari-1:23; Kalaburagi-1:16

²³ Government Special School for Hearing Impaired, Belagavi and Government Special School for Hearing Impaired, Ballari

replied (January 2017) that institutions concerned have been directed to initiate suitable action.

(b) Differently Abled Child Centric (CC) Special Education scheme

The CC special education scheme was introduced (December 2010) by GoK and implemented with effect from 2011-12. Registered NGOs managing special schools for the DAC in the age group of 6-18 years and who had completed three years of existence were eligible for the grant-in-aid. The grants fixed have been revised from time to time and at present the grant is ₹4,000 per child per month for day scholars and ₹5,000 per child per month for residential scholars. As on March 2016, 133 schools were covered under the scheme in the whole state. The number of schools covered and grants provided under the scheme during 2011-12 to 2015-16 is detailed in **Table-3.2**.

Table-3.2: Details of schools covered and grants provided during 2011-12 to 2015-16

(₹in crore)		
Year	Schools covered	Total grants
2011-12	16	0.50
2012-13	43	2.93
2013-14	97	15.36
2014-15	109	31.79
2015-16	133	34.90

(Source: Information furnished by the Department)

From the records, we observed the following:

- Scheme guidelines mandated the Director of the Department to annually inspect the schools receiving grants under this scheme, but no inspection reports had been documented in the Department. Hence, audit could not get assurance on monitoring of the scheme by the Director. The Government replied (January 2017) that almost all the Directors have undertaken inspection visits to the grant-in-aid institutions. However, no documents were furnished to support the reply.
- Scheme guidelines mandated inspection of the special schools by the DDWO and submission of his recommendations prior to release of the grants to the institute. The guidelines also prescribed detailed inspection report, which covered details such as registration, infrastructure provided, qualification of teachers, *etc.*, and the grants were to be released on the basis of these inspection reports of DDWO. However, during the joint inspections conducted by audit in 17 special schools, the findings of these joint inspections varied from the facts recorded in the DDWOs' inspection reports, as discussed in the subsequent paragraphs in the report. In reply to the audit observation, the Government replied (January 2017) that the observations had been noted and Department would constitute with immediate effect, a monitoring committee on the School Development and Monitoring Committee (SDMC) model of the Education Department.
- Scheme guidelines have a provision for a third party inspection of the schools receiving grants. It was, however, observed that the provision had so far not been invoked by the Department.

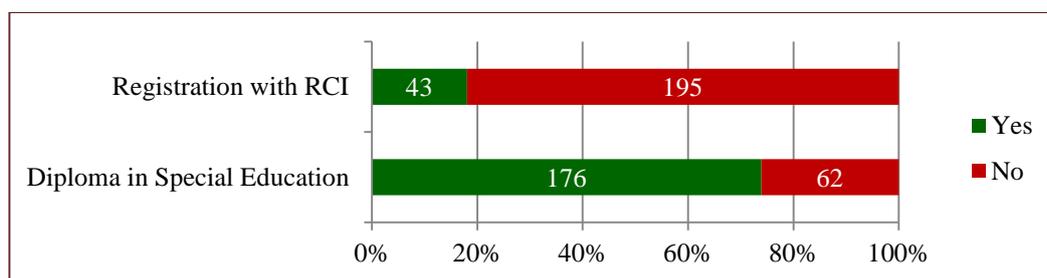
- Scheme guidelines prescribed that the teaching faculty appointed in the special schools should mandatorily hold a diploma in Special Education in the relevant fields. Also, the RCI in its circulars (January and April 2012) prescribed the teachers to be qualified in special education and special training for appointment in the special schools. The Department noticed (January 2014) that 90 *per cent* of the teachers in 68 special schools under the scheme did not possess the requisite qualification. In this regard, the State Government granted (February 2014) permission for the teachers to acquire requisite qualification within two years commencing from 2013-14. Though the time granted for acquiring qualification has elapsed, the Department is yet to verify whether all the teachers of the special schools have adhered to the Government order. The Department in reply (October 2016) stated that since the staff were working on honorarium basis, there was no need to ensure their qualification and training before their appointment. It was further stated that Government would be requested to amend the guidelines of the scheme. The reply is not tenable as the required qualifications are mandatory for all teachers in special schools. Also, the Government reply (January 2017) was silent regarding qualification of teachers in child centric schools or verification of the same after a lapse of two year period given to acquire requisite qualification.

In the nine test-checked districts, audit visited 17 CC schools and the audit findings of these joint inspections are discussed in subsequent paragraphs.

(i) Qualification of teachers

The findings regarding status of qualification of teachers are indicated in **Chart-3.1**.

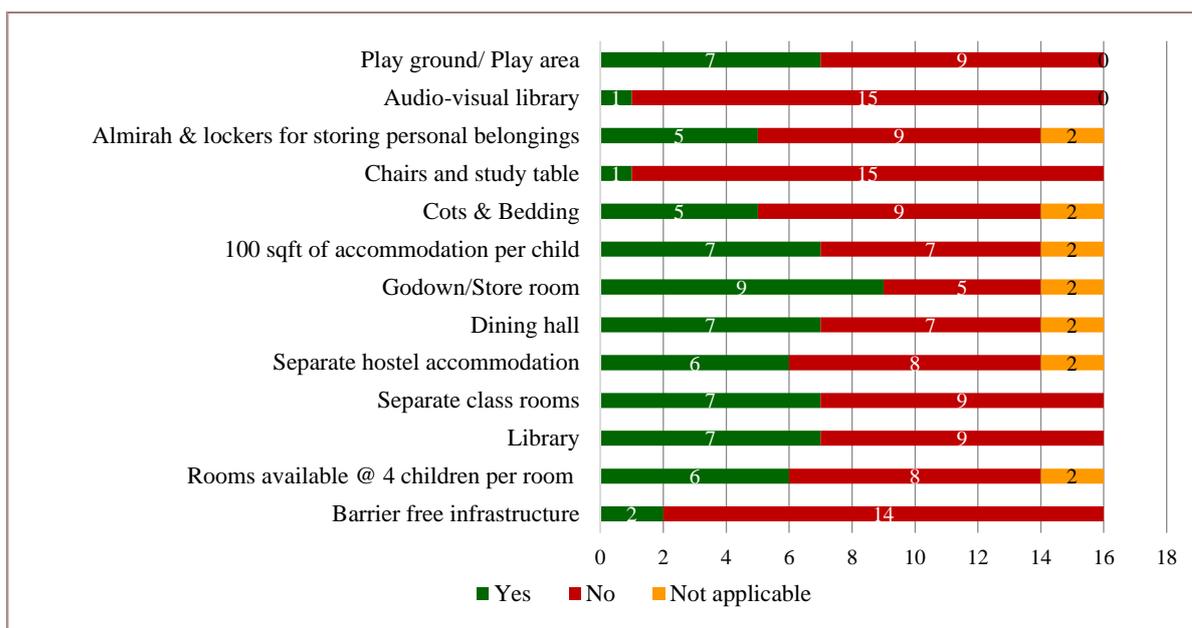
Chart-3.1: Status of qualification of teachers in the test-checked schools run by NGOs



From the chart, it is observed that only 68 *per cent* of the teachers possessed a diploma in the relevant field and only 17 *per cent* were registered with RCI.

(ii) Basic infrastructure in residential schools

During March 2004, the State Government had prescribed, through an order, the basic minimum infrastructure to be provided by the voluntary organisations in a residential school. Adherence to the guidelines by the voluntary organisations is indicated in the **Chart-3.2** below:

Chart-3.2: Basic infrastructure provided in the test-checked CC schools

Note: (i) Certain infrastructure not applicable for two test-checked non-residential schools.
(ii) Adarsha Blind School, Ballari which closed down in 2016-17 has been excluded

From the **Chart-3.2**, it is observed that basic infrastructure such as audio-visual library, chairs and study table and barrier-free infrastructure was not available in the most of the test-checked schools.

The Government replied (January 2017) that it would ensure barrier free infrastructure to the 17 test-checked CC schools within six months and district officers had been instructed to furnish compliance.

(iii) Allowance for medicine

The scheme guidelines prescribed allowance for medicine for the DAC of special schools. As per the guidelines, the medical expenses allocated under the scheme were to be released only on production of proper medical records of the medically treated children. In addition, the scheme prescribed visiting fees for the doctors visiting the special schools once a week and physiotherapists/psychiatrists visiting the special schools twice a week.

We observed in the 17 test-checked CC schools that the Department had released the allowance despite non-maintenance of proper records and non-furnishing of supporting documents for having disbursed the visiting fees to the doctors. The Department accepted the audit observation and stated that the guidelines would be complied with, in future.

(iv) Findings of joint inspection of CC special schools

The guidelines of the scheme specified minimum basic infrastructure for the schools receiving grants viz., to be situated in disabled friendly building with adequate light, ventilation, water etc. Also, if the school was residential, it was required to have one room for every four children, one toilet and one bathroom

for every six children and building space of 100 sqft per child. We, however, observed during joint inspections that available infrastructure in CC schools was highly inadequate and the DDWOs' Inspection Reports were at variance with the findings of the joint inspections which are detailed below:

Belgaum Integrated Rural Development Society (BIRDS) Residential School for the deaf children, Gokak

The inspection report of the DDWO indicated five separate classrooms, two rooms for dormitories, one dining hall and separate room for Principal and staff. However, we found during joint inspection that there were only four classrooms and no separate room for Principal and staff. Though there were separate dormitories for male and female, they did not have doors. Also, the dormitories did not have any cots and mattresses.

It was observed that the school building is situated in the Agricultural Produce Marketing Committee yard. The school had two toilets and two bathrooms each for male and female students, which were situated outside the building compromising the safety and security of children.



The Department had released a total grant of ₹43.06 lakh during 2013-14 to 2015-16 to the institution.

The Government replied (January 2017) that school authorities have been instructed to provide cots and mattresses and install the separators to maintain the privacy of boys and girls in dormitories.

Ajay Primary and Secondary School for deaf children, Belagavi

The DDWO's inspection report mentioned that there were separate classrooms and dormitories. It also mentioned a separate room for principal, staff and playground, which did not exist. We observed that the same six rooms served as classrooms during the day and dormitories during night for 61 students.

The primary and high school were functioning in two separate buildings within half a kilometer distance. The primary school was in a basement and ground floor of a commercial complex. Since the rooms were in the basement, it did not have adequate ventilation and light. No cupboards, storage racks, cots, bedding linens were provided for the students.

The Department had released a total grant of ₹28.14 lakh during 2013-14 and 2014-15.

The Government replied (January 2017) that school authorities have identified suitable building to shift the special schools.

Priyadarshini Residential School for Blind, Kengeri Satellite Town, Bengaluru

The DDWO's inspection report mentioned eight classrooms, separate Principal room, staff room, three dormitories each for boys and girls, dining hall, library with 50 books, playground and six toilets – three each for boys and girls which would require about 3,255 sqft of area. However, it was observed during joint inspection that the total built up area was only 600 sqft and the school was located in a residential house with just one hall, two rooms, a kitchen and a bathroom with attached toilet.

As per the records, the building housed 57 students. However, we observed that a family of four members occupied it and there was no furniture, which was required for a classroom or dormitories. Also, we observed that no teachers were present.

Total grant of ₹26.50 lakh was released by the Department during 2015-16.

The Government replied (January 2017) that organisation has been issued (December 2016) show cause notice to furnish explanation regarding the audit observations and on receipt of the reply, necessary action would be initiated with regard to the black listing of the organisation as per rules.

Vidyaranya Buddivikalachetana Makkala Vasathiyutha Shale, Yelahanka New Town, Bengaluru

The DDWO's inspection report indicated ten class rooms measuring 300 sqft each, eight dormitories, a dining hall, library, playground, eight toilets and eight bathrooms and sufficient beds/bed sheets.

However, we observed during the joint inspection that the school had four toilets, two bathrooms and five rooms of 100 sqft each, which served as both classrooms and dormitories. There was no dining hall, library or playground either.

The Government replied (January 2017) that measurement of basic infrastructure has been wrongly reflected in DDWO's Inspection report due to clerical mistake and that the organisation has been advised to shift the school to a more suitable building.

Spurthi Residential School for mentally retarded children, Virgonagar, Mandur Village, Bengaluru

In the DDWO inspection report, it was stated that the special school consisted of 12 class rooms measuring 400 sqft each, 10 dormitories also measuring 400 sqft each, a dining hall, library and sufficient beds/bedsheets. However, we observed during the joint inspection that the school was situated in a two-floor building with five rooms on the ground floor and five rooms on the first floor. While one room on the ground floor was used as classroom, three rooms on the first floor served as classroom during the day and dormitory in the night. It had one open toilet on the first floor and eight newly constructed toilet blocks. The residential school, however, did not have cots, mattresses, woolen blankets, storage space, library and entertainment space. Though the attendance indicated a strength of 88 students, on the day of the joint inspection, only 50 students were present.

Total grant of ₹100.13 lakh was released by the Department during 2013-14 to 2015-16.

The Government replied (January 2017) that the organisation has constructed a new building and overall facilities have improved satisfactorily.

Sri Guru Chandrashekara Deaf and Dumb Residential School, Zalki, Vijayapura

The inspection report of DDWO mentioned that the special school had seven class rooms which measured 100 sqft minimum, four separate dormitories which measured 600 sqft each, library, four toilets and four bathrooms and was provided with sufficient bedding materials.

However, we observed during joint inspection that the school had only four rooms, which were used for conducting classes from 1st to 7th standard as dormitory during night. Though the inspection report mentioned toilet and bathrooms, these were absent. There was a temporary shed without door which served as bathroom for both boys and girls. In addition, it had a shed which served as kitchen. The students of the special school utilised the toilets of the Government school, which was adjacent to the special school. Further, it lacked storage space. It also had shortage of teachers and no speech therapist. During joint inspection, the number of students present was 44 against 75 in the attendance register.



Total grant of ₹25.49 lakh was released during 2014-15 to 2015-16 by the Department.

Blind and Handicapped Welfare Association, Afzalpur, Kalaburagi

The DDWO's inspection report indicated 10 classrooms and separate dormitories for boys and girls, dining room and playground. However, we observed during joint inspection that the school was situated in a building measuring 1,250 sqft, which had 72 students as per attendance register. It had 10 rooms which served as both class rooms and dormitory. On the date of joint inspection, only 23 students were present.

Grant amounting to ₹52.80 lakh was released by the Department during 2013-14 to 2015-16.

The Government replied (January 2017) that organisation is in the process of constructing a new building and DDWO has been asked to obtain biometric attendance of the staff and students.

Government further stated (January 2017) that the district officers have been instructed to inspect the school buildings (existing or proposed new buildings) and undertake necessary action to comply with the audit observations as well as scheme guidelines. Also, it has stated that the district officers have been instructed to furnish factual reports and subject to completion of the above task, consider to recommend for further grants. The reply is, however, silent on the gross inaccuracies in the DDWOs' Inspection reports. We feel that gross inaccuracies point towards fixing of responsibility of DDWOs.

In order to verify the genuineness of the students on the rolls, we attempted to verify the addresses of a few students of two²⁴ test-checked schools and also verify enrolment in those schools. The results were as follows:

Of the 27 addresses that were test-checked, only 19 could be located. On checking of these 19 addresses, it was found that at 13 of these addresses there was indeed a child by that name, but the child was not enrolled in either of the two schools. In four cases, no child by that name resided at the given address, and only in two cases did the details of the children match with the information provided by the school. Hence, the information regarding the strength of students in the schools indicated in the DDWOs' Inspection Reports appeared inaccurate.

During joint inspection and address verification, we observed discrepancies in the student's records, inadequate infrastructure and multiple inaccuracies in the DDWOs' Inspection reports, which reflects on the poor monitoring of the implementation of the scheme. Inaccuracies in DDWOs' Inspection reports need to be viewed seriously as neither the mandated annual inspection of schools by the Director are being done, nor any third party inspections being conducted. Hence, release of grants to non-performing NGOs on a much wider scale could not be ruled out. The Department needs to strengthen its monitoring to ensure that funds released are properly utilised.

The Government replied (January 2017) that CCTV and Biometric systems have been introduced and these would be connected with centralised monitoring server of the Department to ensure random check-up of the attendance of the students as well as staff. It further stated that proposed monitoring system would be implemented within the financial year.

(c) Setting up of teachers training institutions

Section 29 of the PwD Act, 1995 stipulates setting up of teachers training institutions to develop trained manpower for schools for DAC.

In this regard, GoK had established (2000-01) two Special Teacher's Training Centres (TTC) at Mysuru for the visually impaired and hearing impaired. On scrutiny of the records, we observed the following:

²⁴ Spurthi Mentally Retarded School-Mandur and Vidyananya Mentally Retarded School-Yelahanka

- Three more TTCs were approved (2002-03) and a post of Deputy Director (Training) was also created to manage the five TTCs, but these three TTCs have not yet been established even after a lapse of 15 years.
- Though RCI specifies each TTC with intake capacity of 25 trainees to have four teaching staff, no teaching posts had been sanctioned for the TTC for the Visually Impaired.

The Government replied (January 2017) that it would take necessary action for establishment of three training centres and also arrange to obtain the sanction of posts for teaching staff.

(d) Comprehensive education scheme providing for transport facilities, supply of books, etc.

Under Section 30 of the PwD Act, 1995, the State Government is required to prepare a comprehensive education scheme covering transport facilities, removal of architectural barriers from schools, colleges or other institutions, supply of books, uniforms, *etc.*, scholarships and setting up of a forum for grievance-redressal, and restructuring of curriculum for the benefit of children with disabilities. The observations of audit in this regard are discussed below:

- **Comprehensive education:** The State Government, had not prepared any such comprehensive education scheme except for a scholarship scheme for DAP in regular schools, which is discussed in a subsequent paragraph. Also, no funds were allocated in the budget towards supply of uniforms, notebooks *etc.*, except for CC scheme.
- **Dietary articles:** We observed that the State Government had not formulated any scheme nor had issued any orders relating to the issue of dietary articles to the Government Special Schools and hostels. Hence, the Department was regulating the issue of dietary articles based on the Government order issued (November 2007) by the Department of Women and Child Development for children housed in rehabilitation homes. Subsequently, upon upward revision of scales for issue of dietary articles by the Department of Women and Child Development, the Department also submitted a proposal to the Government in this regard during December 2013 and followed up the matter on several occasions during 2014²⁵. The Government is yet to approve the proposal (October 2016).

The Government replied (January 2017) that Department is taking necessary action for revising scales of issue of dietary articles which would be implemented at the earliest.

- **Scholarship:** The scholarship scheme for the DAC is applicable only to the children studying in normal schools and colleges and prescribes different rates for different education levels. During 2011-12 to 2015-16, against total budget of ₹22.51 crore, there was an expenditure of ₹17.98 crore. Test-check of disbursement of scholarship in the nine test-checked districts revealed various irregularities, which are detailed in **Table-3.3**.

²⁵ May 2014, October 2014 and November 2014

Table-3.3: Irregularities noticed with regard to disbursement of scholarships in the nine test-checked districts

Name of the District	Audit observation	Remarks
Ballari	Delay in disbursement of scholarship	Though, the entire amount provided in the budget for Scholarship during 2011-12 to 2015-16 had been drawn and shown as spent, an amount of ₹7.30 lakh was lying parked in the bank.
Kalaburagi	Non-maintenance of records	Cheque issue register was maintained only for the period January 2011 to April 2013. The acknowledgements for ₹39.02 lakh out of ₹56.07 lakh scholarships disbursed during 2011-12 to 2015-16 were not available with the DDWO.
	Irregular withdrawal	Though the scheme prescribed payment of scholarship through cheque only, the DDWO had withdrawn ₹14.63 lakh between June 2012 and April 2013 and ₹1.62 lakh during 2014-15 by drawing self-cheques and cheques in favour of outsourced persons/Group D officials. Further, acknowledgements for having disbursed these amounts to the beneficiary were not available on record. Hence, authenticity of the said expenditure was doubtful.
	Scholarship amounts not traceable	We verified cheques amounting to ₹38,500 issued by the DDWO in favour of five Colleges/Schools for disbursing scholarships to 36 students. Though the records of the DDWO for the year 2012-13 and 2013-14 showed the amount as disbursed, the records of the respective institutions for those years did not reflect receipt of these amounts from the DDWO. Hence, we could not ascertain whether the scholarship was disbursed to the beneficiaries.

The Government replied (January 2017) that the matter would be examined.

There is a clear case for investigation in all the above cases. Government must take action to fix responsibility and also ensure that similar irregularities of doubtful disbursement are not existing across the state.

- **Uniforms/bedding material:** Though the Government had categorically ordered (March 2004) that the DAC were to be provided with the same facilities which were extended to the children of the Bala Mandiras functioning under the Department of Women and Child Development, the children in the Government Special schools were denied uniforms, sweaters and bedding materials due to non-allocation of budget for the above items.
- We observed from State Commissioner's report (May 2016) that out of 51,629 Government schools in the State, wherein both differently abled as well as regular children were pursuing their studies, 8,400 Government schools were architecturally not barrier free as on as on March 2016. The Government confirmed (January 2017) the audit observations.

3.1.7 Employment

3.1.7.1 Identification and reservation of posts for DAPs in Government establishments

Section 32, 33, 36 and 37 of the PwD Act stipulate that the appropriate Governments will identify posts in their establishments which can be reserved

for DAPs and at periodic intervals not exceeding three years, review and update the list of posts identified taking into consideration the developments in technology in the intervening period. Every appropriate Government establishment is to reserve not less than three *per cent* of vacancies for DAP. Every employer is required to maintain records of DAP employed in his establishment in the format prescribed by the appropriate Government.

On review of the records, we observed the following:

- Group C and D posts for DAPs had been identified in 99 departments in November 2002. Though the position needs to be reviewed once in three years, it had not been complied with in 68 departments since November 2002.
- Group A and B posts for DAPs have been identified in 32 departments till March 2012. Since then, no review has been conducted.
- Though posts were identified in certain departments, neither the State Commissioner nor the department has information relating to recruitment against the posts reserved.

The Department accepted the audit observation and stated that efforts would be made to identify the posts in all departments and pursue the matter with the Government. The Government while reiterating the Departmental reply in the identification of posts (January 2017) was, however, silent on the database of recruitment against these identified posts.

3.1.7.2 Schemes for ensuring employment of DAPs

Section 38 of the PwD Act stipulates that the appropriate Government and local authorities will formulate schemes for ensuring employment of DAPs and that these schemes were to provide for training, regulating employment *etc.*

Based on the proposal of the Department (December 2011), the State Government approved (June 2012) establishment of an Employment Cell through an NGO to provide necessary customised training, employment in private sector, guidance and other facilities to the DAPs. During 2013-14 to 2015-16, the Department released ₹1.66 crore to the identified NGO towards Employment Cell. Review of records revealed the following:

- Though the Employment Cell was required to prepare a detailed database of job aspirants, it was observed that no such database was maintained.
- During 2013-14 to 2015-16, the Employment Cell had trained 2,279 persons against the prescribed 3000 candidates. Further, out of the 2,279 persons trained, only 1,194 candidates were stated to be provided with employment. The Employment Cell, however, had not furnished any placement details of the personnel provided with employment for the years 2013-14 and 2014-15. Against 501 candidates shown as employed during 2015-16, we observed that only 97 were placed in the private sector and the balance 404 were indicated as self-employed in trades such as pan shop, cattle rearing, bangle shop, vegetable shop *etc.*
- It was also observed that the NGO had neither furnished to the Department details of training conducted nor had it furnished the database of private sector establishments enlisted with them.

Thus, the objective of providing employment opportunities to the DAPs by providing customised training had not been adequately achieved.

The Government in its reply (January 2017) has stated that the organisation has submitted the database and reports periodically to the department. However, the same have not been produced to audit.

3.1.7.3 Other schemes and programmes

(a) Rural Rehabilitation Programme

The National Programme for Rehabilitation of Persons with Disabilities was launched during 1999-2000 as a State Sector Scheme with funding from GoI in three districts of the State. It was later modified and introduced (August 2007) as a new State Scheme called Rural Rehabilitation Programme (RRP) in all 30 districts of the State. The main objectives of the scheme are:

- Providing employment to the DAPs by appointing them as Village Rehabilitation Workers (VRWs) and Multi-purpose Rehabilitation Workers (MRWs).
- Providing all the facilities of various schemes meant for the DAPs at their doorsteps.

The DDWOs responsible for implementation of the scheme are to oversee selection of VRWs and MRWs, monitor daily progress of work and conduct meetings. Besides, they are to conduct regular inspection for effective implementation of the scheme.

On scrutiny of the records, we observed the following:

- Scheme guidelines mandate VRWs and MRWs to maintain survey books with complete particulars of each DAP visited by them and facilities provided to them. However, the DDWOs had not maintained any records to ascertain whether the VRWs and MRWs were maintaining such survey books, nor had they called for the survey books for scrutiny.

The Government replied (January 2017) that the Department has proposed a committee to design the formats and registers to be maintained by VRWs, MRWs and DDWOs.

- The DDWOs are required to maintain a comprehensive database of DAPs in their respective districts based on the information furnished by the VRWs and MRWs. However, we observed that none of the DDWOs in the test-checked districts had such database of the DAPs even after nine years of commencement of the scheme. As a result, the Department did not have any data bank on the DAPs and were dependent on the decadal census statistics.

The Government replied (January 2017) that the DDWOs would be instructed to ensure maintenance of data bank in the DAPs.

- District Level Committees (DLC) have been constituted in order to monitor effective implementation of the scheme, and the DDWOs are responsible for convening meetings of the DLC. However, in the nine test-checked

districts, we observed that the DLC had conducted no meetings and thus, the scheme was not monitored by the committee despite an expenditure of ₹39.15 crore incurred on it during 2011-12 to 2015-16.

The Government replied (January 2017) that the issue to activate the DLCs will be included in agenda of State Executive Committee and State Co-ordination Committee.

(b) District Disability Rehabilitation Centre Scheme

District Disability Rehabilitation Centre (DDRC) scheme was launched (1999) by GoI and re-introduced (2011) by the State Government with the objective of providing rehabilitation services including facilitation and provision of disability certificates, assessment of the need of assistive devices, provision/fitment/ follow-up/repair of assistive devices, therapeutical services, promotion of barrier-free environment, prevention and early detection, vocational training and employment for DAPs. Till date, 14 DDRCs have been established in the State.

Review of the records of four DDRCs²⁶ established in the nine test-checked districts revealed the following:

- As per the scheme guidelines, the nodal officer of the DDRC is responsible for the preparation of the monthly, half yearly and annual action plans wherein gram panchayats to be covered during the period are proposed. The Plans are to be approved by the District Management Committee. However, we observed that except for preparation of monthly plans, no other plans were prepared by the DDRCs. The Government replied (January 2017) that audit observations would be complied with, in future.
- Specialists *viz.*, Clinical Psychologist, Ophthalmologist, ENT specialist, Physiotherapist, Speech Therapist, Orthopedician and Psychiatrist were required to visit DDRC thrice a week to examine DAPs, who visited the DDRCs for treatment, help or expert advice. In the four DDRCs test-checked, except in Davanagere, the services of the specialists were not available. In Davanagere, though the specialists had signed the attendance register, no records were maintained with regard to services given by the specialists. We also observed that the majority²⁷ of the technical posts had remained vacant in these four DDRCs.
- The DDRCs have only conducted camps for identification of beneficiaries and did not provide rehabilitation services such as specialist care or assistive devices. The Government replied (January 2017) that after introduction of proposed scheme with enhanced honorarium, the required services of all the rehabilitation experts would be ensured in all the DDRCs.

²⁶ Davanagere, Mysuru, Belagavi and Vijayapura

²⁷ Against 64 sanctioned post of artificial limbs prosthetist and orthotist engineer, mobility instructor, special educator, speech therapist, ear mould technician in the four test-checked districts, 39 posts were vacant.

(c) Manasa Kendra

The State Government, in pursuance of the High Court order accorded approval (August 2007) for the establishment of five Manasa Kendras²⁸ with the objective of providing food, shelter and health care facilities for mentally ill persons. However, till date, only two Manasa Kendras, one at Bengaluru and another at Belagavi have been established. The Director in his letter (May 2012) had attributed non-co-operation from the Health and Family Welfare Services Department as the reason for non-establishment of Manasa Kendras at other places.

We observed that the post of the Superintendent, Manasa Kendra, Belagavi was vacant since May 2012 and the DDWO, Belagavi was holding additional charge of the Kendra. Also, the post of Clinical Psychiatrist was vacant up to February 2016.

The Government replied (January 2017) that the State Mental Health Authority has been requested to expedite the establishment of the Manasa Kendras.

(d) Hostel for differently abled working women, students and trainees

The State Government accorded (October 2013) approval for the establishment of hostels for DAP working women, students and trainees. The programme was to be implemented through voluntary organisations. The said order stipulated that the Department was responsible for verifying and ensuring the availability of adequate infrastructure facilities provided by the NGOs for the hostels. It further stipulated the Director to inspect these hostels annually in order to verify their satisfactory functioning. The financial assistance provided by the Government was ₹8.47 lakh per hostel per annum. At present, 27 hostels are functioning in 24 districts.

The results of scrutiny of the records and joint verification of five hostels are tabulated in **Table-3.4** below:

Table-3.4: Results of the joint verification of the hostels

Institution	No. of hostel residents	Rooms		Toilets & Bathrooms		Building area (sqft)	
		Required*	Available	Required*	Available	Required*	Available
Sri Mukkannaswara Educational Trust (R), Ballari	39	10	3	7	5	3,900	1,380
Aishwarya Mahila Samste, Vijayapura	35	9	8	6	5	3,500	2,000
Mahadevi Tai Mahila Vidhya Vardhak Sangha, Kalaburagi	50	13	14	9	14	5,000	3,000
Bhagavan Buddha Social and Educational Society, Mandya	43	11	6	8	4 Toilets and 3 Bathrooms	4,300	1,500
Sri Ambigara Chowdaiah Education Society, Tumakuru	18	5	5	3	3	1,800	773

*Note: Government order (July 2006) referred to March 2004 order which stipulates minimum area of 100 sqft to be provided for each person. Also, it stated maximum of four persons in each room and bathroom and toilet for every six persons.

²⁸ Bengaluru, Belagavi, Ballari, Raichur and Shivamogga

From the table, it is observed that the infrastructure provided at the hostels was inadequate. However, the Department had released the grants to the said hostels without conducting inspections prior to release of grants as prescribed in the Government order (October 2013). The Government replied (January 2017) that compliance from the DDWOs was awaited.

3.1.8 Monitoring

The PwD Act provides for the constitution of a State Co-ordination Committee, State Executive Committee and appointment of a Commissioner for DAPs who help in monitoring as well as evaluating the implementation of the PwD Act. Audit observations in this regard are discussed below.

3.1.8.1 State Co-ordination Committee and State Executive Committee

The State Co-ordination Committee (SCC) which was required to be constituted under the PwD Act, had to serve as the State's focal point on disability issues and facilitate continuous evolution of a comprehensive policy towards solving the problems faced by DAPs. The State Executive Committee (SEC) was to be constituted for implementing the decisions of the SCC. The SCC was required to meet at least once in every six months, whereas the SEC was required to meet at least once in three months.

The State Government had re-constituted the SCC in September 2011 and constituted an SEC in April 1998. However, during 2011-12 to 2015-16, we observed that the SCC had met only once in January 2013, and the SEC had not met even once. This indicated apathy towards monitoring and evaluation of the policies and programmes meant for DAPs. The Government replied (January 2017) that SEC has since met twice *i.e.*, in July 2016 and December 2016.

3.1.8.2 State Commissioner for DAPs

The PwD Act provides for appointment of a Commissioner for DAP by the State Government who would act as a watchdog for the implementation of laws, rules, bye-laws, regulations, executive orders, guidelines or instructions made or issued by the State Governments and local authorities for the welfare of and protection of rights of DAPs. Audit observations in this regard are brought out below:

- As per Section 73(zc) and (zd) of the PwD Act, the State Government was required to frame rules governing the salary, allowances and other terms and conditions of service of the Commissioner. However, PwD Rules, 2003 framed in April 2004 did not specify the method of selection, educational qualification, age, experience etc. In pursuance of the order of the High Court (August 2015), the State Government amended (May 2016) the PwD Rules, which prescribed educational qualification, mode of selection of the State Commissioner etc. Hence, in the absence of any rules in this regard, the appointment of State Commissioner during 2004-05 to 2015-16 was not transparent.

- The Office of the State Commissioner had not maintained any information on the voluntary organisations registered under the PwD Act, and availing financial assistance from the State Government towards various schemes.
- Though the State Commissioner had to co-ordinate with other departments with regard to implementation of the PwD Act, the State Commissioner did not have any information with respect to implementation of the PwD Act, by the other departments.
- The State Government had neither involved the State Commissioner while framing the guidelines nor had sought his opinion on the guidelines/schemes framed. The State Commissioner was also not a member of the post identification committee for DAPs.
- Further, though the PwD Act conferred the State Commissioner with judicial powers, the State Government through a circular (June 2012) had restrained the Commissioner from issuing instructions, directions, stay orders directly to the departments in case of any lacunae noticed by the Commissioner in the implementation of the PwD Act.

Hence, the monitoring of the activities and schemes of the Department by the Commissioner of the State was not effective. The Government replied (January 2017) that rules would be framed as per the new bill for PwD and it will enable the State Commissioner to monitor the activities and schemes meant for PwDs. It also stated that proposal would be submitted by the department to involve the State Commissioner while framing the guidelines *etc.*, in future.

3.1.8.3 Internal Control

Internal controls are management control systems that are put in place by an organisation to ensure that the activities are carried out as planned and also to provide reasonable assurance as to fulfilling accountability obligations, complying with applicable laws and rules, safeguarding resources against loss *etc.* We, however, observed that the internal control system in the Department was inefficient and the consequences are brought out below:

- In the test-checked districts, though the registration had expired, the Department continued to release grants to these institutions in 33 cases (**Appendix-3.2**). The Director accepted the audit observations.
The Government replied (January 2017) that necessary instructions had been issued to the DDWOs to scrupulously comply with audit observations.
- The Finance Department had issued several instructions from time to time (1991-92 to 1996-97) prohibiting opening of bank accounts without specific permission of the Government and depositing Government funds in such accounts. We observed in eight out of nine test-checked districts that DDWOs and the Superintendents of the Special Schools had opened bank accounts without authorisation in violation of these instructions (**Appendix-3.3**). Further, the Department did not have any information or system in place to monitor opening or operation of these bank accounts. Also, we observed that the Monthly Progress Report submitted by the DDWOs indicated the amount transferred to the bank accounts as expenditure incurred without revealing the balances retained in the bank accounts.

The Government replied (January 2017) that Deputy Directors of Women and Child Development Department were according permission for opening of the bank accounts and all district authorities had been directed to comply the audit observation and furnish compliance report by 30 January 2017. The reply is partially acceptable since as per the instructions of Finance Department, the bank accounts were to be opened only with prior permission of the Government.

- No cash books for bank accounts had been maintained by any of DDWOs in the nine test-checked districts. Consequently, no bank reconciliation was done.
- Some of the specific observations with regard to irregularities in the operation of bank accounts are detailed in **Table-3.5**.

Table-3.5: Irregularities in operation of Bank Accounts and cash book

District	Irregularity observed
Tumakuru	<ul style="list-style-type: none"> • DDWO had drawn ₹7.09 lakh on 16 occasions on self-cheques. However, no supporting vouchers were produced. • Though the incumbent DDWO took charge in July 2015, earlier DDWO handed over cash book only in February 2016 and has not yet handed over closing balances of ₹1.98 lakh in old cash book.
Ballari	<ul style="list-style-type: none"> • Honorarium to the VRWs and MRWs were drawn on DC bills and remitted to the bank accounts of DDWO instead of those of beneficiaries. • The closing balance of undisbursed amount should have been ₹16.67 lakh, whereas the DDWO indicated it as ₹7.99 lakh.
Kalaburagi	<ul style="list-style-type: none"> • Honorarium of VRWs and MRWs was drawn from treasury and deposited in the bank accounts of DDWOs. Further, honorarium was disbursed through cash by drawing amounts on self-cheques by the DDWO during October 2011 to April 2014. • ₹19.95 lakh drawn on 31 occasions did not find a place in the acquaintance register maintained for disbursement of honorarium under RRP scheme. • There were no supporting vouchers in many cases for the amounts drawn on self-cheques.
Belagavi	<ul style="list-style-type: none"> • During the period 10 June 2011 to 30 April 2012, cashbook had not been written even though bank pass sheets reflected that many transactions had occurred during the period. • DDWO while relinquishing the charge had not closed the cashbook and had not handed over the same to the successor.

- In order to avail the benefits of various Government schemes for the DAPs, the State Government prescribes issue of Identification Card (ID). The ID cards are to be serially numbered and machine printed only at the Government Press by the Department. ID cards signed by both the Medical Board and the DDWO are treated as valid and blank ID cards are issued to DDWOs based on indents. However, we observed that physical verification of the stock of ID cards had not been carried out by the DDWOs or by the Department. ID cards were found issued by the Directorate to the DDWOs and by the DDWOs to the MRWs/VRWs even without indents. Also, it was observed that the DDWO of Bengaluru Urban had printed 15,000 ID cards through private printing press without authorisation. In order to monitor issue of ID cards, data base of ID books issued was required to be maintained by both the Department and the DDWOs. However, no such procedure was in place in any of the test-checked districts or in the Department. The State Commissioner had seized 27 fake ID cards in Kolar district during his

inspection. In the absence of proper reconciliation, there are possibilities of widespread use of fake ID cards.

The Government replied (January 2017) that all the DDWOs have been instructed to furnish database of identity cards issued till date.

- The Department had not established an Internal Audit wing. Hence, there was no internal check of the utilisation of the funds released under various schemes, checking of maintenance of satisfactory accounting records *etc.*

3.1.9 Conclusion

The special schools run by Government had huge vacancies in respect of teaching staff and the teacher-student ratio in the special schools for hearing impaired was lower than the prescribed ratio of 1:10. Ninety *per cent* of the teachers appointed in the special schools did not possess the requisite qualification. The proposal for amending vocational training was yet to be approved by the Government. During joint inspection of test-checked units, highly inadequate infrastructure and multiple inaccuracies in DDWOs' Inspection Reports were observed by audit.

The State Government is yet to devise a comprehensive education scheme which covers transport facilities, removal of architectural barriers, and supply of books, uniforms *etc.* No schemes have been formulated to provide non-formal education either. Irregularities *viz.*, delay in disbursement of scholarships, non-maintenance of records, irregular withdrawal, *etc.*, were noticed in disbursement of scholarships to students.

Despite surveys being conducted both under RRP and DDRC Schemes for several years, the Department did not have a comprehensive database of DAPs and were dependent on population census data.

Neither the Department nor the State Commissioner had any information relating to recruitment of DAPs in departments, where the posts have been identified. The powers of the State Commissioner were restricted and hence he was ineffective. The SCC had met only once and the SEC had not met even once during 2011-12 to 2015-16. Hence, there was inadequate monitoring and evaluation of policies and programmes for DAPs.

There were discrepancies in DDWOs' inspection reports, non-conduct of inspections by Director and third party evaluation, lacunae in management of bank accounts and registration process, *etc.*, which indicated absence of internal controls and monitoring by the Department.

In view of the deficiencies and shortcomings in implementation of these schemes, necessary action needs to be taken to ensure compliance to the scheme guidelines, strengthening of internal controls and monitoring mechanism and proper identification of beneficiaries so that the allocated resources are used optimally for the benefit of the DAP beneficiaries.

Department of Revenue

3.2 Social Security Pension for Differently Abled Persons and Senior Citizens

3.2.1 Introduction

Article 41 of the Constitution of India directs the State to provide public assistance to its citizens in case of unemployment, old age, sickness and disablement within the limit of its economic capacity and development. In compliance with the Directive Principles of State Policy in the Constitution of India and Persons with Disabilities Act, 1995 (PwD Act), the Government of Karnataka, with the support of the Government of India, has devised various Social Security Pension (SSP) schemes in order to provide social security to Differently Abled Persons (DAPs) and Senior Citizens.

3.2.2 Organisational setup

SSP Schemes are being implemented and monitored by the Directorate of Social Security and Pensions (DSSP) created under the Department of Revenue, which is headed by the Principal Secretary. The Deputy Commissioners at district level, Tahsildars at taluk level, and Village Accountants and Revenue Inspectors at the village level are responsible for the implementation of SSP schemes.

3.2.3 Audit Objectives

The main objective of the audit is to assess:

- Whether the department has been able to ensure compliance with the guidelines and eligibility criteria to identify the beneficiaries under various schemes for differently abled and senior citizens;
- Whether there exists adequate internal control and monitoring mechanism in the department to monitor the implementation of the schemes and proper utilisation of allocated resources and to prevent fraud and corruption.

3.2.4 Audit Criteria

- Guidelines governing the scrutiny, assessment and sanction of all three Social Security Schemes *i.e.*, Indira Gandhi Old Age Pension and Sandhya Suraksha Yojana for senior citizens and Monthly Maintenance Allowance for DAPs;
- The Persons with Disability Act 1995 (The PwD Act, 1995).

3.2.5 Audit Scope and Methodology

The Audit was conducted during April to July 2016, covering the period 2011-12 to 2015-16. Two districts having the highest population of Senior citizens as well as Differently Abled Persons (DAPs) in each of four revenue divisions were selected for test-check of records of pension authorisation.

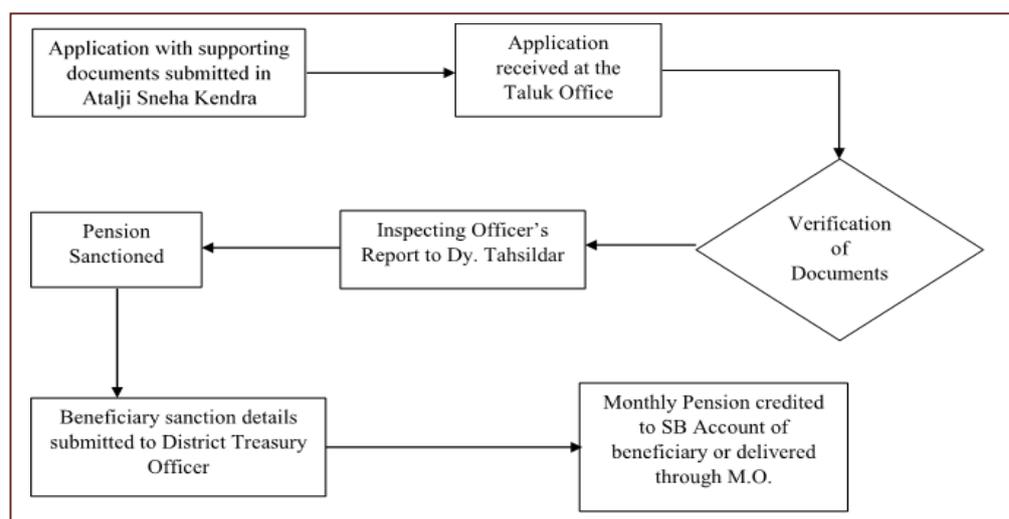
Besides, one district was selected for Pilot Study. Eight hundred to 3,000 records per taluk were test-checked and in all, 24,550 pension cases were test-checked in the nine selected districts.

3.2.6 Audit findings

The DSSP implements two old age pension schemes, namely, Indira Gandhi National Old Age Pension Scheme (OAP), a centrally sponsored scheme, and Sandhya Suraksha Yojana (SSY), a fully state funded scheme, aimed to help eligible elderly citizens by providing them with direct cash pensions. It also implements one State Social Security scheme “Monthly Maintenance Allowance (MMA)” for DAPs.

The process of application for pension by a prospective beneficiary and all stages involved in it is indicated in **Chart-3.3**.

Chart-3.3: Flow-chart for process of application for pension



On receipt of the application, applicant’s eligibility is verified as per the scheme guidelines. After verification of the details, inspecting authority submits the application along with the report in prescribed format and Deputy Tahsildar sanctions the pension, once he is convinced about the applicant’s eligibility.

Audit findings on each of the three Social Security schemes in relation to the compliance of the rules, regulations and guidelines are given below.

3.2.6.1 Monthly Maintenance Allowance (MMA) for Differently Aabled Persons

The PwD Act defines disability as “Blindness, low vision, leprosy-cured, hearing impairments, locomotor disability, mental retardation and mental illness”. Any person suffering from disability of 40 *per cent* and above but below 75 *per cent* is eligible for sanction of MMA of ₹500 per month while a person suffering from disability of 75 *per cent* and above is eligible for a pension of ₹1,200 per month. A Medical Board consisting of three members, of whom at least one is required to be a specialist in the particular field, is empowered to issue disability certificate after conducting the specified tests as indicated in the

guidelines and after duly recording them. Further, the medical certificate has to clearly indicate whether the disability is a temporary one or a permanent one.

Audit, however, observed the following discrepancies in the disability certificates issued by medical authorities and subsequent verification of the documents by the inspecting authority and sanctioning authority.

(a) Discrepancies in disability certificates issued by Medical Authorities

• **Improper assessment in case of multiple disabilities**

Multiple Disabilities means a combination of two or more disabilities as defined in the PwD Act, 1995. As per the Manual²⁹, the following telescopic sum formula should be adopted in order to evaluate multiple disabilities and arrive at the percentage of physical impairment,

$$\frac{a + b(90 - a)}{90}$$

(Where 'a' is the higher disability percentage and 'b' is the lower disability percentage)

On scrutiny of test-checked pension cases, we observed that in eight cases the medical authorities had incorrectly applied the arithmetical sum formula instead of the telescopic sum formula to calculate the combined percentage of multiple disabilities. As a result, excess payment of ₹12,300 was made till March 2016 besides recurring monthly excess payment of ₹5,400.

Further, it was also observed that in 44 cases, the total disability percentage was stated without mentioning the individual disability percentages. Considering the adoption of incorrect method of calculating combined disability in some cases as discussed above, correctness of the payment of ₹4.64 lakh in these 44 cases upto March 2016 and recurring monthly expenditure of ₹52,000 could not be verified.

• **Improper assessment in case of blindness in one eye**

As per the guidelines, persons with disability of more than 40 per cent only were eligible for MMA. Since the percentage of impairment in respect of one-eyed person is 30 per cent, they are ineligible for pension. Audit, however, observed that in 21 cases, the medical certificates mentioning disability as "Blindness in one eye" stated disability percentage as more than 40. In order to obtain expert opinion, audit referred these medical certificates to Minto Eye Hospital, Bengaluru for their opinion. The Hospital Superintendent confirmed the audit observation that the assessment was improper. Thus, pension amount of ₹2.72 lakh paid upto March 2016 and recurring monthly expenditure of ₹12,600 to these 21 ineligible beneficiaries was irregular.

• **Incomplete record of assessment**

Scheme guidelines prescribe that the specified test for each disability be conducted by the medical board and recorded before a certificate is given. As per the guidelines for assessment in neurological conditions, percentage of

²⁹ Manual for Doctors to Evaluate Permanent Physical Impairment developed by Expert Group meeting on Disability Evaluation

mental retardation/intellectual impairment should be arrived at taking the Intelligence Quotient (IQ) range into consideration and percentage for mental illness should be measured based on IDEAS³⁰ scale. Similarly, there are two variables to be considered while assessing hearing impairment, *i.e.* Hearing loss in units of dB level in each ear separately and speech discrimination. The objective is to ensure that the impairment is in conformity with the assessment of individual parameters used to assess the impairment. Audit, however, observed that in 3,383 of the 10,450 test-checked MMA cases, the medical authorities did not comply with the requirement of recording of tests. They only mentioned the percentage of disability without mentioning the results of the tests conducted to arrive at the disability percentage.

Department should ensure that the disability certificates are issued by the medical authorities in accordance with duly prescribed guidelines.

In reply to the audit observations, Government stated (January 2017) the following:

- Principal Secretary, Health and Family Welfare Department has been directed to instruct all medical authorities to follow the guidelines issued under PwD Act and to mention Medical Officer's registration number on the disability certificate.
- Immediate measures would be taken to train medical authorities on issue of disability certificates and proper enforcement of the guidelines by Department of Women & Child development regarding this.
- All Deputy Commissioners (DC) have been instructed to verify pension cases sanctioned without disability certificate, and pensions sanctioned on the basis of invalid medical certificate and take necessary steps to cancel the pensions in accordance with law.
- All DCs have been directed to initiate disciplinary action against erring officials and to take steps to recover the pension amount.
- The Directorate would take necessary measures to develop a system for online tracking of disability certificates.

(b) *Discrepancies in sanction of MMA by sanctioning authorities*

• ***Sanction of excess MMA***

We observed that applicants who were eligible for lower rate of MMA (₹500) as per records, were sanctioned higher rate of MMA (₹1,200) in 93 cases. This resulted in excess payment of ₹11.99 lakh (till March 2016) besides recurring monthly excess payment of ₹65,200.

• ***Sanction of MMA based on fake/altered disability certificates***

On a test-check of cases, we observed that disability certificates enclosed by several beneficiaries seemed to be identical. In all, 74 such cases were noticed by audit during test-check, in which the same disability certificate was enclosed by more than one applicant. These suspected cases were sent to the issuing hospital for verification and the hospital confirmed that 74 out of the

³⁰ Indian Disability Evaluation and Assessment Scale (IDEAS) developed by the Rehabilitation Committee of Indian Psychiatric Society.

77 certificates were false. Photocopies of the same disability certificate were being used by multiple applicants and due to non-verification of original certificates, MMA was sanctioned to these applicants. Amount of MMA drawn upto August 2016 in these 74 cases was ₹11.49 lakh besides recurring monthly excess payment of ₹87,400.

A contributing factor that made these fakes possible is that the disability certificate is issued as a booklet, in which the doctor specifies the details of disability on page numbers 6 and 7. However, these crucial pages do not contain any details of the applicant such as Name, Age, Sex *etc.*, or Serial Number of the booklet. Hence these pages if removed cannot be linked with any particular person or booklet. It is, therefore, recommended that the booklet number should be printed on all the pages of the booklet instead of only on the cover.

Audit also observed that in 55 cases, the applicants had altered the percentage of disability to a higher percentage. The sanctioning authority failed to notice the alteration and sanctioned higher rate of MMA. This resulted in excess payment of ₹6.99 lakh upto March 2016 besides recurring monthly excess payment of ₹38,300.

The Government replied (January 2017) that Principal Secretary, Health and Family Welfare Department had been directed to instruct the concerned medical authorities to certify all the pages in medical certificates and to display the details of medical authorities empowered to issue disability certificate along with their specimen signature on the web portal. Also, it was stated that DC Bangalore Urban had been asked to verify all 71 cases of pensions and to take necessary steps to cancel the pensions in accordance with law. It also stated that Directorate would ensure proper functioning of the Committee constituted (April 2011) under the chairmanship of Assistant Commissioner to identify the fake disability certificates.

- ***Sanction of MMA without disability certificate or based on invalid medical certificates***

On scrutiny of test-checked cases, we observed that MMA was sanctioned to applicants based on invalid documents or in the absence of the required documents as detailed in **Table-3.6**.

Table-3.6: Sanction of pensions without valid documents

(₹ in lakh)

Issue	Number of cases	MMA amount upto March 2016	Monthly recurring excess payment
MMA sanctioned without obtaining disability certificate from applicant.	84	15.35	0.88
MMA sanctioned based on Disability certificate without essential details such as nature of disability, thumb impression or signature of applicant <i>etc.</i>	13	4.06	0.14
MMA sanctioned based on expired disability certificates.	21	4.10	0.20

- **Temporary disability**

While issuing disability certificates, medical authorities are required to mention whether the disability suffered by the beneficiary is temporary or permanent. They also have to mention whether the disability is progressive or non-progressive, likely to improve or not, and whether re-assessment is necessary or recommended. A disability certificate would be valid for a period of five years in case of temporary disability.

On scrutiny of test-checked MMA cases, we observed that in 84 cases of temporary disability in four districts, MMA continued to be paid even after a lapse of five years from the date of issue of the medical certificate, resulting in irregular payment of MMA to the extent of ₹8.60 lakh up to March 2016 besides recurring monthly excess payment of ₹81,200. Further, it was observed that there was no mechanism in place to monitor the lapse of validity of disability certificates to ensure that MMA payment was continued only to eligible beneficiaries.

Thus, sanctioning authorities did not exercise due diligence while sanctioning MMA as they failed to verify original documents or identify alterations and false certificates. Department also failed to put in place a mechanism to monitor the lapse of validity of disability certificates.

In reply to the audit observations, Government stated (January 2017) the following:

- All DCs would be instructed to verify such cases and cancel the fraud and ineligible ones and Directorate would take up the process of online tracking mechanism of disabilities certificates issued.
- Measures would be taken up to issue proper guidelines to medical authorities and train them on assessing percentage of disability. Also, disciplinary action would be initiated against officials involved in fraudulent sanction of pensions.
- Principal Secretary, Health and Family Welfare Department has been directed to instruct all medical authorities to review the disability after five years in case of temporary disability.

Directorate is planning to issue online medical certificates, unique identity number for medical certificates, display of medical certificates on websites for verification, to maintain directory of medical authorities empowered to issue certificates along with their specimen signature and to maintain register of medical certificates issued and real time sharing of details with revenue authorities.

3.2.6.2 Sandhya Suraksha Yojana (SSY) and Indira Gandhi National Old Age pension (OAP)

OAP, a centrally sponsored scheme has been in existence since 1964, and is implemented as a part of the National Social Assistance Programme (NSAP). SSY, with similar features to OAP, intends to cover the larger section of poor elderly who may not be covered through OAP.

Eligibility criteria for the two schemes are as indicated in **Table-3.7**.

Table-3.7: Age limit and eligibility criteria for two schemes

(Amount in ₹)

Scheme	Income Criteria	Age Criteria	State Share	Centre Share	Total
OAP	Below Poverty Line (Annual Family Income up to ₹12,000 in rural areas and ₹17,000 in urban areas)	>60 &<65 years	0	200	200
		>65 &<80 years	300	200	500
		>=80 years	250	500	750
SSY	Total annual income of applicant including that of his/her spouse should not exceed ₹20,000 and total value of accumulated deposits should not exceed ₹10,000.	>=65 years	500	0	500

(Source: Information furnished by the Department)

Under these schemes, applicants are required to produce proof of age and address and other documents in order to avail themselves of the benefits of these schemes. The Schemes prescribed birth certificate, school certificate, ration card and voter identity card as documents for proof of age. In the absence of valid documents, the beneficiary could submit age certificate issued by an authorised Medical Officer of any government hospital. We, however, during test-check of pension cases noticed several discrepancies as given below.

(a) Pension sanctioned based on blank age certificates

It was observed that in 10 cases blank age certificates, signed by medical authorities, had been enclosed by the applicants, and that the sanctioning authorities had sanctioned the pension without questioning the validity of the blank age certificate. Further, we observed that in 52 cases, the difference in age as per the age certificate issued by the medical authorities and other documents varied from 5 to 35 years. Issue of blank age certificates and the huge variations in recorded age among different documents/certificates raises doubts about the authenticity of the beneficiaries.

(b) Pension sanctioned to applicants not fulfilling age criteria

It was observed that in 36 cases despite the age of applicant being below 65 years as per the age certificates, pension was sanctioned under the SSY scheme, in which eligibility criteria is 65 years and above.

(c) Pension sanctioned without obtaining affidavit

The SSY scheme guidelines prescribe that the applicant submit a declaration in the form of a sworn affidavit with regard to non-possession of combined deposits exceeding ₹10,000 and that he/she is a destitute and neglected by family. It was, however, noticed that this requirement was not complied with in 5,665 out of the 11,800 test-checked SSY cases.

Thus, sanctioning authorities have irregularly sanctioned pension to ineligible applicants on the basis of incomplete documents.

The Government replied (January 2017) that directions have been issued to all sanctioning authorities to get birth certificates/ration card/voter identity card to confirm the age of the applicant and that instructions have been issued to get the certificate issued by medical authorities in case of doubtful cases while sanctioning the pensions under SSY and OAP schemes.

3.2.6.3 Common Observations in the three schemes

(a) Improper assessment of income

- We observed that in 11,375 out of 14,100 test-checked cases of OAP & SSY, the prescribed proforma was not being used by the inspecting authorities while assessing income.
- We observed that in 825 cases, the inspecting authorities had assessed income even lower than that declared by the applicants themselves.

(b) Improper sanction of pension

- **Sanction of pension to ineligible applicants**
 - We observed that pension under MMA and OAP schemes was sanctioned to 423 APL³¹ card holders, which is irregular as below poverty line status³² is one of the eligibility criteria for these schemes.
 - 617 applicants were sanctioned MMA and OAP pension despite their income being assessed by inspecting authorities (Village Accountants/Revenue Inspectors) as above the maximum income eligibility criteria³³ for the schemes.
 - 179 applicants for MMA and OAP schemes had enclosed their rent/lease agreement with annual rental/lease value ranging from ₹9,600 to ₹4,00,000. Amongst these 179 applicants, the annual rental/lease value of 131 applicants exceeded the maximum annual family income criteria. However, the inspecting authorities had assessed their annual income below ₹17,000 and thereby, pension was sanctioned to these 179 applicants.
 - We observed that pension had been sanctioned to 177 applicants, who are either dependants of government employees or employed as anganwadi workers or in the private sector, earning more than ₹20,000 annually, which is irregular.
- **Sanction of pension/MMA based on incomplete applications**
 - The application for sanction of pension/MMA requires furnishing of details such as identification marks, annual income, details of family members *etc.* Besides, a register in Proforma V (for OAP) and Proforma VI (for SSY) is required to be maintained by the Revenue Department to monitor the changes in the status of the pensioners on account of death, migration, remarriage, employment *etc.*

³¹ Above poverty line

³² Annual income below ₹17,000 in urban areas and ₹12,000 in rural areas

³³ Annual income below ₹17,000 in urban areas and ₹12,000 in rural areas

On scrutiny of 24,550 records, we observed that though the required information in the application viz., identification marks (10,094 cases), details of family members (7,764 cases) and annual income of the applicant (6,531 cases) were left blank, incomplete applications were accepted and processed. Further, it was observed that the prescribed watch registers were not maintained in all nine selected districts.

In reply to the audit observations, Government has stated (January 2017) the following:

- Necessary steps would be taken for monthly screening of beneficiaries to identify bogus and fraud pension cases and to suspend pensions in accordance with law and Assistant Directors have been directed to conduct periodic inspections and verification of pensions to ensure compliance to the guidelines.
- Steps would be taken to weed out government servants from obtaining pensions and all Heads of Departments have been instructed to suspend pensions and to initiate recovery proceedings, and also to initiate departmental enquiry against officials who have failed to disclose the information regarding social security pensions.
- 165 cases of anganwadi workers receiving pension have been identified, which have been suspended and reported to Women & Child Development Department for disciplinary action against erring officials. Similarly, it was stated that 8,330 duplicate beneficiaries were identified using Aadhaar numbers of SSP beneficiaries and 55,000 beneficiaries were found with APL cards through inter-departmental analysis, details for which has been shared with district administration for necessary action. It was also replied that measures would be taken to train all the authorities involved in sanction of pensions.

3.2.6.4 Monitoring and Internal Controls

Though instructions for monitoring of the implementation of schemes were issued from time to time, the monitoring was inadequate. Major observations regarding non-monitoring of schemes have been brought out in **Table-3.8**.

Table-3.8: Observations on non-monitoring of the three schemes

Issue	Requirement	Compliance
Life certificates of beneficiaries	Tahsildars are responsible to send the list of beneficiaries, for whom pension is cancelled, to Treasuries/Bank/Post offices	Not being sent to Treasuries/Bank/Post offices.
Pension Adalats	To be held every month under the aegis of Assistant Commissioner	Only 5,603 conducted against target of 25,608 during 2013-14 to 2015-16.
Vigilance Squads	To be constituted to check, trace and identify fake medical certificates	Not constituted in test-checked districts.
Physical Verification of Beneficiaries	Mandatory physical verification by Tahsildar, Assistant Commissioner, and Assistant Director (DSSP)	Not conducted in test-checked districts.
Remittance of unpaid pension back to Government from Banks	Unpaid pension to be credited back to Government Account if the pension has not been drawn consecutively for three months.	No mechanism in place to track unpaid pensions. Banks were refunding randomly some amounts to the Government Account.

The above observations indicated a weak internal control mechanism in the Department since sanctions/payments were being made based on blank Age certificates, invalid disability certificates and fake disability certificates and original documents were not being verified by the concerned authorities *etc.* Although one post each of Accounts Officer and Tahsildar Grade-2 (internal audit) had been sanctioned, the same were not filled.

In reply, Government stated (January 2017) that steps would be taken to strengthen the internal audit wing and also to conduct audit annually to cover all districts. It further stated that based on the information generated during audit, it would devise a mechanism which would ensure all the checks and balances in implementation of the pension scheme.

It was also stated that Tahsildars have been instructed to obtain life certificates from all the beneficiaries and intimate it to treasury, the procedure to conduct Pension Adalat would also be streamlined, measures would be taken to constitute Vigilance Squads consisting of officials from different departments, and that the mechanism to track the remittance of unpaid pensions is being developed under Khajane-II.

3.2.7 Conclusion

There were many shortcomings in adherence to the guidelines on assessment, sanction and disbursement and in the identification of beneficiaries in all the three schemes *viz.*, SSY, OAP and MMA. A contributing factor was the weak internal controls and ineffective monitoring. Hence the allocated resources could not be put to optimum use and there were multiple cases of irregular/fraudulent payments. Therefore, a serious examination of the implementation and monitoring aspects is needed to ensure optimum utilisation of the resources for the benefit of genuine beneficiaries.

As a follow up action on this report and the exit conference, the Department has initiated several measures to tackle many of the lacunae/deficiencies pointed out in the report. Besides, taking corrective steps on the remaining issues, it now needs to strengthen its monitoring and internal control mechanism to ensure that these schemes function effectively.

Department of Higher Education

3.3 Irregular payment of remuneration for examination duties

Payment of remuneration for examination duties disregarding Government directions, by four Universities, resulted in irregular expenditure of ₹28.01 crore.

The Government discontinued (August 2000) payment of examination remuneration to lecturers stating that discharge of examination related duties including valuation and tabulation was part of their academic function. The letter further stated that the lecturers were entitled for Travel Allowance /Daily Allowance as admissible under the Karnataka Civil Service Rules for the journey performed by them for examination work. The Government extended this to lecturers drawing University Grants Commission/All India Council for Technical Education pay scale during May 2003.

On scrutiny of records of four Universities³⁴ for the period from 2009-10 to 2014-15, we observed that the Universities had continued to pay remuneration for examination works to their Professors, Readers and Lecturers. The payment of irregular examination remuneration by the four Universities amounted to ₹28.01 crore which is detailed in **Table-3.9** below:

Table-3.9: Details of examination remuneration

(₹in crore)

Name of the University	Years						Total
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
Bangalore	10.71	8.09	00	00	00	00	18.80
Davanagere	0.01	0.02	0.04	0.04	0.08	0.08	0.27
Gulbarga	1.71	1.77	2.35	2.75	NA*	NA*	8.58
Kannada University	NA	NA	NA	0.03	0.19	0.14	0.36
Total							28.01

(Source: Information furnished by the Universities)

* Not available

Thus, the four universities, in violation of Government directions, irregularly paid ₹28.01 crore as remuneration for examination related works.

The Government replied (January 2017) that the remuneration paid by the Universities to the teachers is in accordance with law and policies of the State Government. However, no document/Government Order was given in support of this reply. The reply, therefore, is not acceptable since discontinuation of payment of examination remuneration to teachers and other staff in Universities and colleges itself is policy of the State Government from August 2000 onwards vide Government Letter No.ED 30/UNE/2000 dated 11 August 2000.

³⁴ Bangalore University, Davanagere University, Gulbarga University and Kannada University

Department of Housing

3.4 Irregular waiver of outstanding loan

The Karnataka Slum Development Board had recommended waiver of outstanding loan of ₹2.17 crore irregularly, in respect of 453 allottees, who had sold their dwelling units, thereby violating the terms of allotment. This resulted in extension of undue financial benefit to the said allottees.

Rule 9 of the Karnataka Slum Areas (Improvement and Clearance) Rules, 1975 prohibits the allottee to sell, lease, mortgage or alienate in any manner the site or the building unit allotted to him during the period of lease till an absolute sale deed is executed. Further, under Rule 10 of the said rules, on violation of any of the terms and condition of allotment or lease-cum-sale agreement by the allottee, the Karnataka Slum Development Board (Board) was empowered to terminate the lease and forfeit the site or the dwelling unit to the Board. Also, the Government in its order (May 2012) had directed to identify the allottees who had violated Rule 9, cancel their allotment and re-allot the houses to the present dwellers of the house after following all the required procedures.

The Board had allotted 24,294 houses and 33,855 houses constructed under the Housing and Urban Development Corporation Limited (HUDCO)³⁵ and Valmiki Ambedkar Awas Yojana (VAMBAY)³⁶ housing schemes respectively to the slum dwellers during 1983-2004 and 2002-2009. The houses were allotted on lease-cum-sale basis and the period of lease was 15 years.

The Hon'ble Chief Minister in his budget speech for 2014-15, announced loan waiver along with interest thereon to the slum dwellers allotted under the above mentioned two schemes. Accordingly, Government issued (September 2014) order waiving the entire loan outstanding (₹122.03 crore) along with interest (₹154.31 crore), which was based on the details furnished (May 2014) by the Commissioner of the Board. Out of this, ₹7.51 crore and ₹0.43 crore pertained to 1,502 and 144 slum dwellers of Mandya district under HUDCO and VAMBAY scheme respectively. We, however, observed that out of these 1,646 slum dwellers, who were allotted houses under the above two schemes and were given benefit of loan waiver, 453 allottees (435 under HUDCO; 18 under VAMBAY) had sold their houses. The Board, however, in violation of the Government Order (May 2012) and provisions under Rule 10 of the Karnataka Slum Areas (Improvement and Clearance) Rules, 1975 had recommended all cases for loan waiver instead of taking prior action to identify such allottees and

³⁵ HUDCO scheme was financed 80 *per cent* through loan which was to be repaid by the beneficiaries in 240 installments

³⁶ VAMBAY scheme was financed 50 *per cent* through loan which was to be repaid in 180 installments

terminate the lease and forfeit the dwelling units. The outstanding principal and interest thereon against these 453 allottees was ₹2.17 crore³⁷.

The Government replied (October 2016) that loan waiver certificate was not issued to the said 453 allottees and also transfer of title was withheld from them. The reply is not acceptable since the Board has already waived off the loan amounting to ₹121.29 crore, besides committing (Annual Accounts 2015-16) to waive the balance loan in three equal installments. Further, the Board has not initiated any action under Rule 10 against these allottees who had sold their dwellings in violation of the agreement. Since the above observations are only as a result of test-check by audit, the Board should also look into this issue across all the 58,149 allottees and identify those who are not eligible for the loan waiver and take further necessary action based on the findings.

Thus, the failure of the Board to take timely action, identify allottees who had violated the terms and conditions of allotment and terminate their lease and forfeit their dwelling units resulted in extension of undue financial benefit in respect of 453 allottees due to recommendation of loan waiver amounting to ₹2.17 crore.

Department of Labour

3.5 Irregular retention of tuition fees by Industrial Training Institutes due to absence of monitoring mechanism

Absence of mechanism to monitor remittance of tuition fees to Government account resulted in Grants-in-aid receiving Industrial Training Institutes retaining tuition fees amounting to ₹19.61 crore.

Under the Grant-in-Aid Code for private Industrial Training Institutes, 1997, (Code) all private Industrial Training Institutes (Institutes) conducting courses or programmes of vocational training leading to the award of certificates by the National Council for Vocational Training, New Delhi, are eligible for grant-in-aid subject to conditions applicable. Rule 9 of the Code states that the rates of tuition and other fees, including fees chargeable to trainees of institutions or management receiving grant-in-aid, were to be as prescribed by the Government from time to time. The Government orders issued from time to time in this regard, prescribed that the tuition fees so collected by the management be remitted to the Government account, except during the year 2007-08. During 2007-08, the Government allowed (May 2007) the management of the Institutes to retain the tuition fees so collected.

³⁷ HUDCO: Principal (₹0.69 crore) and interest (₹1.43 crore)
VAMBAY: Principal (₹2.5 lakh) and interest (₹2.5 lakh)

We, however, observed that during 2010-11 to 2014-15, though 194 institutes in the State collected ₹19.61 crore as tuition fees, the same had not been remitted to the Government account.

As per the agreements entered into by the Government with the Institutes, the Government was empowered to stop, discontinue or withhold any payment to the management of the Institutes, if the Institutes violated any of the conditions in the agreements. Despite these provisions, the Commissioner of Employment and Training continued to routinely release the annual salary grants of ₹281.56 crore to the 194 institutes without taking cognizance of the non-remittance of the fees.

Monitoring of the remittance of fees collected by the Institutes was absent as no mechanism had been put in place by the Commissioner to track the same. This facilitated continued retention and non-remittance of fees amounting to ₹19.61 crore and also the interest thereon due to Government.

The Commissioner, Employment and Training stated (July 2016) that action had been initiated to recover the tuition fees from the institutes and in case of failure, release of future grants would be withheld. Further, it was stated that in response to this initiative, the management of the Institutes have represented and requested for continuation of the exemption given during 2007-08.

The Government in continuation of the Commissioner's reply further stated (January 2017) that it had sought Finance Department's clarification wherein it was clarified that the tuition fees could be retained by Grant-in-aid Institutes themselves. Further, it has been stated that action would be initiated to place the same before the cabinet for approval.

Department of Printing, Stationery and Publications

3.6 Unutilised/obsolete stock resulting in unfruitful expenditure

The Department of Printing, Stationery and Publications, Government Central Press had procured consumables relating to electronic devices without ascertaining users' requirement and also without consultation with Department procuring electronic devices. This resulted in accumulation of unutilised stock which became obsolete thereby rendering expenditure amounting to ₹82.34 lakh unfruitful.

Rule 16 of the Karnataka Financial Code stipulates that it is the duty of every Government servant not merely to observe complete integrity in financial matters, but also to be constantly watchful to see that the best possible value is obtained for all public funds spent by him or under his control and to guard scrupulously against every kind of wasteful expenditure from public funds.

Further, ordinary prudence requires that a Government servant who is in-charge of procurement should estimate his requirement of purchase for the year based on user requirements. Purchase of articles far in advance of requirement involves locking up of Government money and is, therefore, not desirable unless it is likely to be advantageous. Moreover, articles which are likely to deteriorate, become obsolete or depreciate with time should not be purchased well in advance of requirement.

With the stated objective of ensuring control over the procurement and distribution of stationery articles and consumables relating to computers, copiers and other electronic devices relating to the Offices of the Chief Minister and other Ministers, Chief Secretary and Additional Chief Secretaries, Department of Personnel and Administrative Reforms (DPAR) *etc.*, the Government of Karnataka entrusted (December 2008) the responsibility of procurement and supply of the same to the Director, Department of Printing, Stationery and Publications, Government Press (Government Press).

On entrustment, the Government Press floated tenders (December 2008) for purchase of consumables of electronic devices *viz.*, printer cartridges, toners, *etc.*, without ascertaining the specified requirement from all users. During February 2009, Government Press placed orders valuing around ₹61.71 lakh. During subsequent years, procurements were based on the Annual Rate Contract entered into with the suppliers selected based on tender process (June 2009).

On review of the purchase and utilisation records, we observed the following:

- There was no prescribed procedure for obtaining user requirements and processing them for procurement of consumables for electronic devices and thus, the Government press had obtained annual requirement from only some of the user departments. Only during September 2015, it devised and circulated a proforma for obtaining indents from user departments.
- The responsibility of procurement of electronic devices for all user departments and their servicing is with the Department of e-Governance. However, information about replacement of old electronic devices with new devices was not communicated to the Government Press by either Department of e-Governance or the user departments.

The details of items supplied and issued between 2008-09 and 2012-13 is brought out in the **Table-3.10** below:

Table-3.10: Year-wise details of items procured, issued and balance stock

(₹ in lakh)

Year of supply	Value of items procured	Value of items issued as at the end of 2015-16	Balance as at the end of 2015-16
2008-09	21.23	14.23	7.00
2009-10	96.79	33.12	63.67
2010-11	18.21	10.13	8.08
2011-12	7.86	4.47	3.39
2012-13	0.20	Nil	0.20
Total	144.29	61.95	82.34

Thus, 57 per cent of total procurement during the years 2008-13 has remained unutilised with the Government Press at the end of March 2016. Also, out of 80 different items procured during the period 2008-09 to 2012-13, 14 items (₹8.75 lakh) had not at all been lifted by the users, and in respect of 31 items, only 50 per cent of the procurement had been utilised (₹48.80 lakh). The stated reason for non-utilisation of items was that it did not match the technical specifications because of change in the devices in their respective offices.

Thus, absence of co-ordination among multiple Government Departments led to the procurement of consumables with incorrect technical specifications.

Meanwhile, the Director, Government Press informed the Government (August 2014 and August 2015) regarding the un-utilised stock of consumables relating to the electronic devices. In addition, it was also informed about non-receipt of user requirements/replacement of electronic devices from all the departments. Thereafter, in April 2016, Government withdrew the responsibility of procurement and supply of Stationery articles and consumables relating to electronic devices from the Government Press and entrusted the same once again to DPAR.

The Government replied (December 2016) that the indenting offices should have considered the life cycle, duty cycle, completed life, balance life, yield of each cartridge, probable plan of replacement before placing the indents. Also, it stated that wherever orders have been issued far in excess of indents, clarification has been sought from officers concerned and after their explanation, appropriate action would be initiated. In addition, it stated that efforts would be made to liquidate the excessive stock to the best advantage of the Government. The reply is not completely acceptable for the following reasons:

- Though the Government Press was entrusted with procurement during December 2008, it devised and circulated a proforma for indent only in September 2015.
- No correspondence was made by the Government Press with the Department of e-Governance or the user departments to obtain information about devices currently in use.

Thus, procurement of consumables relating to electronic devices by the Government Press without ascertaining user requirements or consulting with the Department of e-Governance resulted in purchase and accumulation of non-required/obsolete stock. Hence, the expenditure of ₹82.34 lakh on the un-utilised stock was unfruitful.

Department of Revenue

3.7 Excess payment to contractor

The Deputy Commissioner, Chikkaballapur applied incorrect cost indices for regulating price adjustment which resulted in excess payment of ₹126.83 lakh to a company.

The Deputy Commissioner, Chikkaballapur (DC) invited (December 2012) tenders for Road and Drain improvement works in six Urban Local Bodies³⁸ of Chikkaballapur District under Mukhya Mantri Nagarothana Phase 2 project (project). The work was awarded (March 2013) to a company at a cost of ₹65.42 crore with stipulation of completion by March 2014. As of November 2016, the company had achieved financial progress of ₹56.91 crore and was paid ₹2.09 crore towards price adjustment.

On scrutiny of the payments made towards price adjustment, we noticed the following:

As per the agreement with the company, the price adjustment on account of changes in cost was to be determined in accordance with a formula attached thereto. In respect of the “steel” component, the index of MS Bars and Rods represented the steel group for the purpose of price adjustment. As steel reinforcement bars are used in reinforcement concrete, the appropriate sub-head for determining the price adjustment for material is “Steel: Long-Rebars” under “Basic Metals and Alloys and Metal Products”. The DC, however, erroneously regulated the price adjustment on the basis of fluctuations in price indices of “Stainless Steel and Alloys–Steel Rods” and had thus paid ₹98.22 lakh towards price adjustment under the component “steel”. Audit, by adopting the appropriate price adjustment indices *i.e.*, “Steel: Long-Rebars” worked out the applicable price adjustment and observed that instead of paying ₹98.22 lakh, an amount of ₹28.61 lakh should have been recovered from the company.

DC has replied that the excess amount would be recovered from the subsequent bills of the contractor.

Thus, erroneous adoption of the current cost indices of a different commodity for regulating price adjustment resulted in excess payment of ₹98.22 lakh towards price adjustment, instead of recovery of ₹28.61 lakh. This resulted in excess payment of ₹126.83 lakh to the company.

The matter was referred to Government in August 2016; reply was awaited (January 2017).

³⁸ City Municipal Council (CMC)-Chikkaballapur, CMC-Chintamani, Town Municipal Council (TMC)-Gowribidanur, TMC-Bagepalli, TMC-Shidlaghatta and Taluk Panchayat-Gudibande

Department of Social Welfare

3.8 Avoidable expenditure

The Karnataka Residential Educational Institutions Society's failure to monitor and initiate appropriate and timely action on the contractor and Project Management Consultant resulted in avoidable dismantling and reconstruction of a School Complex. The expenditure incurred on this avoidable activity was ₹1.07 crore.

The Government of Karnataka established (October 1999) the Karnataka Residential Educational Institutions Society (Society) with the objective of constructing residential school complexes. These constructions were being implemented by the Society through Project Management Consultants (PMC). However, in August 2009, the Government observed that not enough technical consultants and contract engineers were available as a result of which, there was no control over the PMCs and the quality of construction work could not be ensured. In order to address this issue, Government established (August 2010) an Engineering Wing, whose duties included monitoring and ensuring quality of construction work.

The Society appointed (August 2009), M/s. Karnataka Rural Infrastructure Development Limited (KRIDL) as Project Management Consultant (PMC-1) for the construction of B C Morarji Desai Residential School Complex at Somanahalli Village, Nagamangala Taluk, Mandya District. The services to be rendered by the PMC-1 involved preparation of estimates, drawings and designs, tender documents, ensuring quality control, supervision of construction and also certification of bills. The work was entrusted (April 2010) to the lowest bidder M/s. Standard Infra tech India (P) Limited, for a contract price of ₹443.22 lakh. The stipulated time for completion of the project was 15 months. The work involved construction of Academic Block, Boys Dormitory, Girls Dormitory, Dining and Kitchen Block, Teaching Staff Quarters, Group D Quarters and other Infrastructure works.

In view of tardy progress in the execution of work by the contractor, several notices³⁹ were issued by the Society. On finding poor progress in the work coupled with poor quality of work, the contract was finally rescinded (July 2013) at the risk and cost of the contractor. The contractor, in all, was paid ₹163.40 lakh (January 2013). On PMC-1 expressing (November 2012) its inability to continue with the consultancy work, the Society appointed (January 2013) M/s.Somat Infrastructure India (P) Limited (PMC-2) for technical supervision of the balance work. Since the contractor failed to complete the work, the contract was terminated at his risk and cost (July 2013).

³⁹ Five notices between August 2010 and April 2012

The Society engaged (November 2013) M/s. Civil Aid Technologies for technical evaluation of the work executed by the contractor. The said company, after conducting all the required tests, concluded in their report (April 2014) that the quality of construction was poor, non-uniform and was not in conformity with the standard quality of construction, which was due to improper construction practices adopted by the contractor.

During scrutiny of the RA bills submitted by the PMC-1 to the Society for passing of the contractor's bills, we observed that the Assistant Executive Engineer (AEE) of the Society had certified in each bill that the work had been qualitatively tested and found satisfactory. Further, it was certified that the AEE had visited the site in September 2011, January 2012, February 2012 and July 2012. While recording the status of the work (December 2012) AEE had stated that 'rectification is required to BBM plastering centering work' but no other defect was recorded. However, the report submitted by M/s Civil Aid Technologies on the quality of construction work by the contractor pointed out various deficiencies such as absence of foundation protection, non-alignment of plumb in masonry walls, non-alignment of RC columns, poor quality of mortar, use of cut lintels instead of through and through lintels and sagging of lintels due to inadequate bearing. The Engineering wing had failed to observe these deficiencies despite claiming to have inspected the site multiple times and had repeatedly certified the satisfactory quality of work.

Thus, the Engineering wing of the Society failed to monitor the quality of work and ensure quality construction even though it had been setup expressly for that purpose. As a result, the Society had routinely released payments to the contractor without taking any action for the poor quality of work (except for levying penalty for delay in execution). Also, we observed that performance guarantee furnished by the contractor for ₹22 lakh had expired during October 2012 but had not been re-validated by the Society. In addition, no action was initiated by the Society against the PMC-1 on its failure in rendering services especially towards quality control and supervision of work.

The PMC-2 estimated (September 2014) the cost of the balance work as ₹470 lakh, which was inclusive of the components for dismantling and reconstruction of the ground floor and first floor (₹116.38 lakh) and also for repairs and rehabilitation of the existing building (₹29 lakh). The Society invited (November 2014) short term tenders for the balance work and the work was entrusted (May 2015) to the lowest bidder at a contract amount of ₹604.05 lakh. The contractor has completed (July 2016) the work and has been paid ₹369 lakh as at the end of March 2016 which includes ₹106.84 lakh towards dismantling, reconstruction and repairs.

Thus, failure on the part of Society to ensure quality of construction work resulted in avoidable expenditure of ₹106.84 lakh⁴⁰ lakh towards demolition,

⁴⁰ Dismantling and reconstruction of ground floor and first floor-₹85.60 lakh
Repairs and Rehabilitation-₹21.24 lakh
Total -₹106.84 lakh

reconstruction and repairs of the building. Besides, there was delay in execution of the work of about five years which deprived children of better infrastructure and also resulted in excess expenditure of ₹180.90 lakh⁴¹.

The Government stated (December 2016) that bills payable to M/s. Standard Infra tech India (P) Limited and PMC-1 to the extent of ₹52.00 lakh and ₹108.40 lakh respectively have been held up and correspondence was on to determine the extent of responsibility of PMC-1. In addition, it was stated that the Public Works Department was requested to blacklist the contractor for causing losses and being indisciplined in executing the work. The reply is silent about the failure on the part of the Society's Engineering wing to monitor the work and wrongly certifying quality of work.

Department of Urban Development

3.9 Avoidable excess payment to contractor

The Karnataka Urban Water Supply and Drainage Board violated the guidelines of the State Government while regulating the price adjustment, which resulted in avoidable excess payment of ₹44.10 lakh.

In order to address the frequent fluctuations in the basic rates of construction materials *viz.*, Cement, Steel and Bitumen, Government of Karnataka modified its earlier issued (November 2004)⁴² guidelines for regulating price adjustment. As per the modified orders issued (November 2008), if the period of execution is more than six months but less than or equal to 12 months for works costing more than ₹50 lakh, star rates⁴³ in respect of specified materials (Cement, Steel and Bitumen) only shall be payable to the contractor based on the all India Average Wholesale Price Index for the said materials. In addition, the order specifies that the price adjustment clause or the star rates were not admissible if the contract period was extended due to lapse on the part of the contractor.

Government of Karnataka accorded (February 2009) administrative approval for 'Combined water supply scheme to Kadur, Birur and 34 enroute villages with Bhadra river as source' to be undertaken by the Karnataka Urban Water Supply and Drainage Board (Board). The estimated cost of the work was ₹36.70 crore based on SR 2007-08. The construction of a 21 million litres per day (MLD) Water Treatment Plant at Huliur Village, which was part of the said water supply scheme was awarded (December 2010) to the lowest bidder

⁴¹ [New contract value (₹604.05 lakh) – old contract value (₹443.22 lakh)] + [(payment to old contractor (₹163.40 lakh) – expenditure on dismantling, reconstruction and repair as per contract (₹143.33 lakh)] = ₹180.90 lakh

⁴² A price adjustment clause is to be included in all works contracts whose estimated cost put to tender is ₹100 lakh or above and the period of completion is 12 months or more. The price adjustment formula is applicable to all materials.

⁴³ Star Rates are used to price work where the unit rates in the contract cannot fairly represent the work done exactly.

for a contract amount of ₹2.36 crore with the stipulation to complete the work in 12 months. Due to various reasons attributable to the Board, the work was completed in April 2014 and extension of time was approved without levy of penalty. As at the end of November 2015, the contractor was paid a sum of ₹4.26 crore, which included ₹65.53 lakh towards price adjustment for the period November 2011 to April 2014.

On scrutiny of the tender documents and contract agreement, we observed that though period of completion of the work was 12 months, the Board had disregarded the Government instructions and provided price adjustment for all the components of work instead of allowing star rates only for the specified materials. This incorrect regulation of price adjustment resulted in excess payment of ₹44.10 lakh as detailed in the **Table-3.11** below:

Table-3.11: Excess payment due to incorrect adoption of star rates

(₹ in lakh)

Name of the component of work	Ineligible price adjustment paid
Labour	16.86
Fuel and Lubricant	3.83
Plant and Machinery	0.21
Other materials	23.20
Total	44.10

Thus, incorrect application of the price adjustment clause in the tender documents resulted in extending undue benefit to the extent of ₹44.10 lakh to the contractor.

The Board replied (August 2016) that action would be taken to recover the excess payment made to the contractor.

The matter was referred to Government in August 2016; reply was awaited (January 2017).

3.10 Irregular sanction of detailed building plans

Bangalore Development Authority (BDA) failed to consider the General Power of Attorney that empowered the developer to develop and sell, lease or mortgage his share of land before sanctioning detailed building plans for a Golf Course with 460 guest houses. This allowed the Developer to sell the guest houses as independent villas to prospective owners, apart from violating BDA's zonal regulations.

Section 81-B of the Karnataka Town and Country Planning Act, 1961, read with Section 67 of the Bangalore Development Authority (Authority) Act, 1976, empowers the Authority to be the local Planning Authority and also to exercise the power, perform the functions and discharge the duties of the local Planning Authority for the local planning area comprising the City of Bengaluru. The

Zoning Regulations of the Revised Master Plan-2015 for Bengaluru specify permissible land use in the Agricultural land zone. As per the regulations, if the area of the land is more than 40 ha in extent, Golf Course along with ancillary uses *viz.*, administrative office, guest rooms/guest houses and dining facilities are permissible which is for the benefit of persons using golf course. The Zonal Regulations define a 'guest house' as a premises for housing the staff of Government, semi-Government, Public Undertaking and Private Limited Company for short duration.

The Deputy Commissioner, Bengaluru District, accorded (October 2012) approval for conversion of land use from agricultural to non-agricultural golf course purpose to owners of land in Survey number 27 to 42, and 56 of Vaderahalli village, Bengaluru East (Property). The approval was for development of a Golf Course and ancillary units with the condition that the land was to be used for the purpose for which it was intended and construction activities would be undertaken after obtaining approval from the zonal development authorities. Subsequently, the landowners applied to the Authority for sanction of development plan for a Golf Course with ancillary units (August 2012). The Authority approved the non-residential development plan on 21 January 2013 for a Golf Course and ancillary units and issued work order on 24 June 2013.

It was, however, observed that after the work order was issued and before the detailed building plan was sanctioned, the landowner entered (28 June 2013) into a Development Agreement with M/s. Prestige Estates Projects Limited (Developer) to develop the Property and for its sale. The landowner also executed on 29 June 2013, a GPA in favour of the developer, empowering the developers to sell or otherwise dispose of by way of sale, lease, mortgage, exchange or otherwise 67 *per cent* divided and/or undivided share in the land in the said property.

We observed that the said GPA was submitted along with other documents to BDA prior to seeking sanction for the detailed building plan. However, despite possessing the GPA, which altered the scope of the Development plan sanctioned, BDA sanctioned the detailed building plan (December 2013) for construction of golf course with 460 Guest Houses on remittance of prescribed fees and charges.

We also observed that the developer had launched a residential project 'Prestige Augusta Golf Village' which was presented as a unique development of 460 luxury villas and twin houses spread over 104 acres of land designed around a nine hole Golf Course.

Thus, BDA's failure to consider the GPA before sanctioning detailed building plan resulted in deviation from the approved development plan, as the developer continued to develop, advertise and sell guest houses to prospective owners violating the norms stipulated in the Zoning Regulations. BDA also failed to

monitor compliance to zoning regulations as the developer sold the guest houses as residential units in agricultural land zone.

Government stated (December 2016) that notice was served to M/s.Prestige Estate Projects Limited seeking reasons for contravening the scope of the Development plan approved by the Authority. Further, it was stated that as the reply forwarded by the developer was not satisfactory, the sanction for building plan was recalled (July 2016). It has also directed the builder to stop further works and remove the structure so far constructed. In the event of failure to comply with these directions, the Authority would undertake the work of removal of structures at the cost of the developer. The reply is, however, silent on the time frame by which this work is to be completed.

BDA needs to take preventive measures and put in place a mechanism to continuously monitor adherence to its norms, especially for large projects to protect unwary buyers who invest in such properties. Failure to do so may result in severe losses to the buyers since BDA may subsequently deny occupancy certificates or destroy the building as those would be illegal structures.

Department of Urban Development and Department of Housing

3.11 Non-availability of Underground Drainage facility due to injudicious entrustment of the scheme to Karnataka Housing Board

Injudicious entrustment of Underground Drainage works to Karnataka Housing Board resulted in non-provision of Underground Drainage facility for Shikaripura town even after seven years from the scheduled date of completion. It also resulted in unfruitful expenditure of ₹14.38 crore on incomplete works, avoidable expenditure of ₹0.50 crore for third party inspection besides liability to incur ₹1.73 crore for rectification of non-maintained works.

In order to provide pollution-free environment to the town of Shikaripura in Shivamogga district, the Karnataka Urban Water Supply and Drainage Board (KUWS&DB) prepared (July 2006) an estimate of ₹15.50 crore for an Underground Drainage (UGD) Scheme. The State Government accorded (August 2006) administrative approval for the scheme and entrusted (January 2007) the said work to Karnataka Housing Board (KHB). KHB then entered into an agreement (January 2008) with M/s.GVPR Engineer Private Limited, Hyderabad (agency) for the said scheme, which involved laying of sewer pipes and transmission lines, construction of manholes, wet wells as well as septic tanks, sewage treatment plant (STP) and staff quarters. The cost of the project was ₹15.44 crore after negotiation with the period of execution being 18 months.

- We observed that 31 Acres 29½ guntas of land in Gabburu Village were required for STP, the acquisition of which was quashed by the Hon'ble High Court (March 2010) on the grounds that KHB had no jurisdiction to acquire land for the benefit of KUWS&DB. Thus, entrustment of the scheme to KHB was injudicious as the underground drainage schemes are not under jurisdiction of KHB as per the KHB Act, 1962.
- Subsequently, failing to acquire land, KHB adopted Sequential Batch Reactors (SBR) technology for setting up of a STP which required only two acres of land, for which the local authority transferred (June 2011) 2 acres and 3 guntas of Government land, situated five kms away from the previous site. Proposal for STP on SBR technology was submitted (July 2011) to State Government for its approval. Meanwhile, the agency requested (June 2011) for revision of rates citing the delay in completion of work attributable to KHB. The agency stopped (April 2012) the work when no action was taken up on its request for revision of rates. At the time of stoppage of work, an amount of ₹14.38 crore had been paid to the agency.

The Government accorded (December 2012) administrative approval for the new STP with SBR technology at a cost of ₹10.23 crore with the condition that the remaining work is to be transferred to KUWS&DB after conducting third party inspection of work and completion of all rectification works by KHB. The third party inspection was entrusted (December 2014) only after a lapse of two years to M/s.WAPCOS Limited at a cost of ₹49.50 lakh. The third party inspection report (August 2015) observed that the manholes and pipelines were severely damaged at various places because of non-maintenance of the partially completed works, since those were stopped abruptly by the agency in April 2012. It estimated ₹1.73 crore for rectification of above works, which was avoidable as without acquiring land, works completed could neither be utilised nor maintained, resulting in damages to manholes, pipelines *etc.*

- It was decided in a meeting (December 2014) between KUWS&DB and KHB that the latter had to complete all the required works up to the proposed wet well at Kumdvathi and the KUWS&DB had to undertake all the remaining works required from the wet well at Kumdvathi to the STP. However, we observed that no action has been initiated by the KHB to undertake works required for handing over the project to the KUWS&DB.
- We also observed that KUWS&DB technically sanctioned (May 2015) the estimates for the STP and entered into an agreement (March 2016) with M/s.EUROTECH Private Limited for construction and operations and maintenance of STP at a cost of ₹6.56 crore without ensuring the completion of the UGD network. Unless the UGD network is completed the utility of the STP was doubtful.

Thus, injudicious entrustment of the UGD work to KHB and failure of KHB to maintain the partially completed works or conduct timely third party inspection

resulted in unfruitful expenditure of ₹14.38 crore on incomplete works, avoidable expenditure of ₹0.50 crore for third party inspection besides a liability of ₹1.73 crore for rectification of damaged works. It also resulted in denial of UGD facility to Shikaripura even after seven years of its originally envisaged completion date.

The Government replied (December 2016) that action has been initiated to obtain approval from the Department of Urban Development for executing additional and balance works including rectification works.

Bengaluru
The



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