

Social Welfare Department

2.1 Functioning of the Karnataka Residential Educational Institutions Society

Executive Summary

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

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

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

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

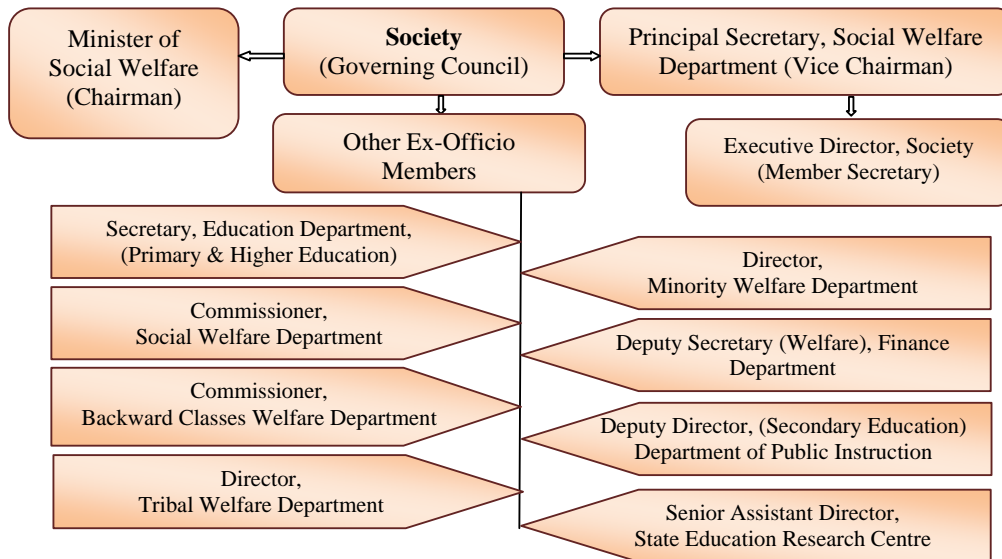
2.1.1 Introduction

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

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

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

2.1.2 Organisational set up



2.1.3 Audit objective

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

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

2.1.4 Audit criteria

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

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

2.1.5 Audit scope and methodology

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

Audit findings

2.1.6 Planning

2.1.6.1 Absence of norms for establishing residential schools

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

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

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

(Source: Information furnished by the Society)

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

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

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

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

Out of 270 MDRS meant for students belonging to SC functioning as of April 2013, 120 (44 *per cent*) had been sanctioned during 2008-13. Similarly, out of total 71 MDRS set up for students belonging to ST, 39 (55 *per cent*) had been sanctioned during 2008-13. In the absence of any basis or norms for establishing residential schools, a few districts had been preferred to others while sanctioning new residential schools, resulting in their skewed distribution (**Appendix-2.1**). As of July 2013, eight¹ districts did not have MDRS for ST while four² districts did not have MDRS for minorities. Belgaum district had the maximum number (36) of MDRS followed by Bellary and Gulbarga (29 each) and Hassan and Tumkur (28 each).

The replies received from the client Departments were as under:

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

¹ Bangalore (Urban), Dakshina Kannada, Gulbarga, Hassan, Kolar, Mandya, Shimoga and Udupi

² Bangalore (Rural), Bangalore (Urban), Udupi and Yadgir

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

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

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

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

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

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

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

(Source: Information furnished by the Society)

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

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

Table-2.3: Infrastructure available in residential schools

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

(Source: Information furnished by schools)

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

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

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

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

2.1.6.3 Sub-optimal student strength in residential schools

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

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

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

Table-2.4: Sub-optimal strength of students

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

(Source: Information furnished by Society)

(Figures in brackets show percentage)

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

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

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

2.1.6.4 Conversion of MDRS to EMRS

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

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

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

2.1.7 Financial Control, Budget and Expenditure

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

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

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

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

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

In addition, the Society had also received from the Departments of SW, TW, BC and MW funds for construction of hostels and Ashram³ schools. The Society handed over these hostels and schools to the respective Departments for maintenance. Details of funds received by the Society for these hostels and Ashram schools during 2008-13 and the expenditure thereagainst were as shown in **Table-2.6**:

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

(₹ in crore)

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

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

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

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

2.1.7.1 Release of funds towards the end of the financial year

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

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

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

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

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

2.1.7.2 Release of funds in excess of requirement

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

2.1.7.3 Excessive release of funds for maintenance of residential schools

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

2.1.7.4 Investments with sub-optimal returns

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

2.1.7.5 Non-clearance of outstanding loan despite availability of funds

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

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

2.1.7.6 Delay in submission and approval of accounts

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

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

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

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

2.1.7.7 Non-submission of utilisation certificates

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

2.1.7.8 Sanction of advances to staff

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

Table-2.7: Details of huge advances outstanding

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

(Source: Information furnished by the Society)

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

2.1.8 Contract Management

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

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

(₹ in crore)

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

(Source: Information furnished by the Society)

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

2.1.8.1 Tendering

• *Non-compliance with the prescribed tendering procedures*

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

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

(ii) The Society had invited tenders under the two cover system for construction of MDRS/KRCRS. As per Government instructions of June 2003, technical evaluation of the tenders after opening the first cover should be completed within 45 days. In exceptional cases, approval of the Secretary to the Government of the Department concerned is to be obtained where the period is more than 45 days but less than 60 days. If the period exceeds 60 days, the tenders are to be re-invited.

We, however, observed that the time gap between the opening of the technical and financial bids was 49 days in one case, 50 days in five cases, 53 days in three cases, 55 days in one case, 56 days in 19 cases and 67 days in five cases. The ED defended (May 2013) the delay on grounds of lengthy evaluation process and justified the acceptance of tenders in these cases on grounds of reasonableness of the offers received and the urgency to complete the works. The fact, however, remained that the Society had disregarded the provisions of the KTPP Rules.

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

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

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

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

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

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

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

- ***Irregularities noticed in the evaluation of tenders***

We observed that the Project Management Consultants (PMCs) had pointed out several deficiencies in the technical offers, warranting rejection of these bids. However, the TSC irregularly opened the financial offers in these cases, overlooking the deficiencies on the ground that the bidders had earlier been awarded construction of residential schools after verification of their credentials. The details of tenders where financial bids had been irregularly opened are shown in **Appendix-2.7**. In three cases where works had been irregularly awarded to ineligible contractors, two⁴ works scheduled for completion in June 2012 and August 2013 were still in progress (August 2013) and financial progress of only 71 and 21 *per cent* had been achieved. The contractor for the other work at Dharmapura failed to commence the work and the Society cancelled (May 2011) the contract and entrusted it to another agency in March 2012 at a cost of ₹ 5.18 crore. The work scheduled for completion in December 2013 was in progress and financial progress of ₹ 1.30 crore had been achieved (August 2013).

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

- ***Eligibility criteria for PMCs relaxed year after year***

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

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

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

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

⁴ KRCRS at Madhapura and MDRS at Baidoor

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

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

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

• *Other irregularities in award of consultancy contracts*

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

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

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

• *Negotiations with the tenderers*

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

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

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

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

• *Functioning of the TSC and TAC*

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

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

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

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

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

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

- ***Variations in Bill of Quantities***

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

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

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

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

• *Excess payment*

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

• *Non-renewal of bank guarantees*

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

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

- ***Irregular payment of price adjustment for extra items***

In the case of 10 residential schools⁵ taken up for construction through contractors between October 2009 and July 2011, the contract agreement provided for price adjustment on the value of work done every quarter according to the formula prescribed therein. The value of work to be considered for price adjustment should not include works executed under variations for which price adjustment, if any, was to be worked out separately based on terms mutually agreed.

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

2.1.8.2 Infrastructure creation

- ***Works taken up without ensuring availability of land***

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

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

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

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

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

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

Delay in completion of residential schools due to delay in identifying or acquiring land had an adverse impact on the children. The seven residential schools had been running in rented buildings⁶ which lacked the basic facilities.

• *Residential schools without staff quarters*

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

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

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

⁶ Monthly rent of ₹ 2.07 lakh

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

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

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

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

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

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

2.1.9 Manpower management

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

2.1.9.1 Cadre and Recruitment Rules of the Society

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

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

2.1.9.2 Irregular absorption of principals and teachers appointed on contract basis

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

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

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

2.1.9.3 Recruitment of teaching staff in excess of the reserved posts

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

The Society had notified (April 2011 and November 2011) 5325 posts in 460 residential schools for recruitment. The Society conducted (July 2011) a combined competitive examination for appointment to these posts and notified (May 2012) the final list of 4520 successful candidates. Against 5325 posts notified, only 4520 posts had been filled, leaving 805 vacant⁷ posts.

The Society had notified the posts in accordance with the reservation policy⁸ of the State Government. However, recruitments had been in excess of the prescribed percentages under the following categories of staff.

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

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

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

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

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

(Source: Information provided by the Society)

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

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

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

2.1.9.4 Irregularities in appointments

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

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

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

(Source: Information furnished by the Society)

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

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

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

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

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

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

(Source: Information furnished by the Society)

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

2.1.9.5 Posting of more than one subject teacher to residential schools

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

to be prepared by considering 70 *per cent* of marks obtained in the competitive examination, 20 *per cent* of marks obtained in the prescribed academic qualification and 10 *per cent* of the marks obtained in B.Ed degree examination⁹. Further, the C&R Rules and the recruitment notification provided that the teachers and principals appointed by the Society on contract basis who appeared for the competitive examination were to be given a service weightage of 5 *per cent* for every completed year of service, subject to a maximum of 40 *per cent*, while determining the qualifying score.

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

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

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

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

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

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

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

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

2.1.9.6 Appointment of retired pensioners

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

2.1.10 Performance of residential schools and colleges

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

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

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

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

Table-2.13: Students' strength during 2009-13

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

(Source: Information furnished by the Society)

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

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

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

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

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

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

2.1.12 Safety and security of girl students

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

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

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

2.1.13 Monitoring

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

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

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

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

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

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

2.1.14 Conclusion

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

2.1.15 Recommendations

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

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

