

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

**For the year ended March 2015**

**Government of Karnataka  
Report No.1 of the year 2016**



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## Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2015 has been prepared for submission to the Governor of Karnataka under Article 151 of the Constitution for being laid on the table of the Legislature of the State.

The report contains significant results of the performance audit and compliance audit of the Departments and Autonomous Bodies of Departments of the Government of Karnataka under the General and Social Services including Departments of Education, Health & Family Welfare, Home, Housing, Labour, Personnel and Administrative Reforms, Urban Development and Women & Child Development.

The instances mentioned in this report are those, which came to notice in the course of test audit for the period 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to period subsequent to 2014-15 have also been included, wherever found necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



# **Chapter-I**

## **Introduction**



## **Chapter-I**

### **Introduction**

#### **1.1 About this Report**

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

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

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

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the compliance audit and follow-up on previous Audit Reports. Chapter-II of this report contains findings arising out of performance audit of selected programmes/activities/Departments. Chapter-III contains findings arising out of information systems audit in selected Government audit and Autonomous Bodies. Chapter-IV contains observations arising out of compliance audit in Government Departments and Autonomous Bodies.

#### **1.2 Auditee Profile**

The Principal Accountant General (General & Social Sector Audit), Karnataka, Bengaluru conducts audit of the expenditure under the General and Social Services incurred by 66 Departments in the State and 11 Autonomous Bodies. The Departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners and subordinate officers working under them.

The summary of fiscal transactions of the Government of Karnataka during the year 2013-14 and 2014-15 is given in **Table-1** below.

**Table-1: Summary of fiscal transactions in 2014-15**

(₹ in crore)

Receipts			Disbursements				
	2013-14	2014-15		2013-14	2014-15		
Section-A Revenue			Total	Non Plan	Plan		
<b>Revenue receipts</b>	<b>89,542.53</b>	<b>1,04,142.15</b>	<b>Revenue Expenditure</b>	<b>89,189.57</b>	<b>69,783.10</b>	<b>33,831.19</b>	<b>1,03,614.29</b>
Tax revenue	62,603.53	70,180.21	General services	24,954.41	28,024.39	240.88	28,265.27
Non-tax revenue	4,031.90	4,688.24	Social services	32,621.89	19,204.97	20,161.28	39,366.25
Share of Union taxes/duties	13,808.28	14,654.25	Economic services	26,592.83	18,748.23	11,223.08	29,971.31
Grants in aid and contributions from GOI	9,098.82	14,619.45	Grants-in-aid and contributions	5,020.44	3,805.51	2,205.95	6,011.46
<b>Section – B: Capital and others:</b>							
<b>Misc. Capital receipts</b>	<b>87.94</b>	<b>10.14</b>	<b>Capital outlay</b>	<b>16,946.86</b>	<b>277.35</b>	<b>19,344.95</b>	<b>19,622.30</b>
			General services	500.74	29.85	588.61	618.46
			Social services	3,052.68	98.11	4,082.78	4,180.89
			Economic services	13,393.44	149.39	14,673.56	14,822.95
<b>Recoveries of loans And advances</b>	<b>109.28</b>	<b>83.82</b>	<b>Loans and advances disbursed</b>	<b>695.43</b>	<b>12.04</b>	<b>564.11</b>	<b>576.15</b>
<b>Public debt receipts**</b>	<b>17,286.81</b>	<b>21,874.63</b>	<b>Repayment of public debt**</b>	<b>3,816.84</b>	<b>4,812.23</b>	--	<b>4,812.23</b>
<b>Contingency Fund</b>	--	--	<b>Contingency Fund</b>	--	--	--	--
<b>Public Account Receipts</b>	<b>1,21,842.37</b>	<b>1,40,229.39</b>	<b>Public Account Disbursements</b>	<b>1,12,971.74</b>	--	--	<b>1,29,573.99</b>
<b>Opening cash balance</b>	<b>10,511.24</b>	<b>15,759.73</b>	<b>Closing cash balance</b>	<b>15,759.73</b>			<b>23,900.90</b>
<b>Total</b>	<b>2,39,380.17</b>	<b>2,82,099.86</b>	<b>Total</b>	<b>2,39,380.17</b>			<b>2,82,099.86</b>

(Source: Finance Accounts 2014-15)

\* Tax Revenue include ₹1,215.07 crore, being the book adjustment relating to M/s. Hindustan Aeronautics Limited, Bengaluru (HAL) for ₹1,211.67 treating the same as waiver, ₹3.05 crore being the waiver of tax and interest dues pertaining to utensil dealers and ₹0.35 crore being the waiver of tax and interest dues pertaining to Arecanut dealers.

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

### 1.3 Authority for conducting Audit

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

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

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

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

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

Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

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

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

#### **1.5 Planning and conduct of Audit**

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

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

During 2014-15, in the General & Social Sector Audit Wing, 6,700 party days were used to carry out audit of 457 units and to conduct two performance audits and one information system audit.

#### **1.6 Significant audit observations**

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

##### ***1.6.1 Performance audits of programmes/activities/Departments***

The present report contains two performance audits. The highlights are given in the following paragraphs:

### **1.6.1.1 Health care facilities in State Sector Hospitals including Autonomous and Teaching Hospitals**

Healthcare facilities in the State are provided through a three tier system viz., primary, secondary and tertiary level of healthcare. A performance audit of the 'Healthcare facilities in the State Sector Hospitals including Autonomous and Teaching Hospitals' under the Secondary and Tertiary level of healthcare was conducted covering the period 2010-15. There were inadequacies in creation of infrastructure as well as in providing healthcare services in terms of availability of services as well as quality care which is brought out below:

- Out of 113 taluk hospitals, which were upgraded as 100 bedded hospitals in 2006-07, only 63 were functional with the bed strength of 100 and the remaining 50 continued to function with bed strength less than 100.
- In the 28 test-checked hospitals we observed that most of the hospitals had not obtained statutory compliance from the fire authorities; Atomic Energy Regulation Board for X-ray and CT scan units; State Pollution Control Board for biomedical waste management; excise permit for storing spirit and license for blood bank /authorisation for storage of blood *etc.*
- Seventy five *per cent* of hospitals had less sanctioned strength than that prescribed under the IPHS guidelines with regard to specialists, staff nurses and laboratory technicians which hampered health services.
- While 50 *per cent* of the General/District Hospitals did not have services of General Medicine as well as Ophthalmology; General Surgery, Obstetrics & Gynaecology and Paediatrics services were not available in 35, 21 and 41 *per cent* of the General/District Hospitals respectively.
- In some of the hospitals test-checked, though equipment viz., Scanners, X-ray machines, Treadmill, Echocardiogram, *etc.*, were available, but due to shortage of technicians, the equipment remained unutilised.
- Sixty eight *per cent* of the hospitals test-checked had not got their laboratory results validated through external laboratories.
- Insufficient equipment in Intensive Care Units and Operation Theatres affected the quality of vital health services.
- There were shortcomings in support services under laundry and disposal of medical waste in terms of providing adequate laundry facilities and regular disposal of biomedical waste.
- Special initiatives taken by Government to create/establish Burns Wards and Trauma care centres were not functioning effectively due to inadequate release of funds as well as lack of manpower.

**(Paragraph 2.1)**

### **1.6.1.2 Engineering Education in Karnataka**

Engineering Education in the State is available in 216 Engineering Colleges affiliated to Visvesvaraya Technological University (VTU)/Bangalore University which included National Institute of Technology, Suratkal and colleges under deemed universities. It is under the administrative control of the Department of Higher Education and a range of other organisations also

play a role in engineering education. A performance audit of ‘Engineering Education in Karnataka’ during 2010-15 showed the following:

- Majority of engineering colleges opened in the State were mainly concentrated in Bengaluru which led to regional disparity and there was no engineering college in Koppal district though approved by Government in 2011. Thus, expansion of engineering colleges continued without addressing the issues of regional imbalance.
- There was a declining trend in the enrolment of SC/ST students, differently-abled students, students from kannada medium and rural area to the engineering stream.
- Affiliation procedure was not completed prior to the commencement of admission of students to the college seeking affiliation, which ranged between 26 and 155 colleges during the period 2011-15.
- Since permanent affiliation was not mandatory, only 48 out of 162 colleges had permanent affiliation for their courses.
- Recommendations of VTU with respect to intake capacity were overruled by Government, resulting in large scale vacant seats which rendered the affiliation process a mere formality.
- Though accreditation was mandatory, VTU as well as many of its affiliated colleges were yet to secure accreditation from National Assessment and Accreditation Council as well as National Board of Accreditation. This indicated that the quality of education being imparted by VTU as well as engineering colleges was not of requisite standards required for the above accreditations.
- Marks were changed in over 90 *per cent* of answer papers for which re-evaluation was sought, which was indicative of poor quality of evaluation.
- VTU did not ensure continuous support to e-Vidya, EDUSAT in the e-learning projects initiated by it which rendered the projects unproductive.
- VTU had failed to ensure minimum standards prescribed by AICTE in respect of colleges affiliated to it as the colleges had deficiencies in teaching faculty, library, laboratory facilities, *etc.*, which indicated poor monitoring by the VTU.
- VTU had failed to receive recognition from UGC even after 17 years of its existence as it had not met minimum standards required for recognition. Hence, it did not act as a good role model for the institutions affiliated to it.

**(Paragraph 2.2)**

### **1.6.2 Information Systems audit**

The present report contains one Information Systems audit and the significant audit findings are given below.

### **1.6.2.1 e-Procurement**

Delay and poor implementation led to the government not deriving full benefit of the unified e-Procurement solution. The off-the-shelf e-Procurement application was not adequately customised to suit the specific user requirements and KTPP provisions. Opportunities for using IT for improving efficiencies has not been utilised fully. Inadequate testing had led to incomplete supplier history, incorrect management information system reports. The application suffered from four out of the Top Ten security vulnerabilities.

Although the Government had intended to implement an end-to-end procurement solution with benefits of transparency and smart governance, the e-Procurement portal had no information about contracts concluded, works in progress, works completed, goods supplies done, expenditure progress, abandoned works, letters of intent and works yet to be started. Thus, the project failed in achieving its intended benefits of transparency and smart governance, leading to a situation where the envisaged end-to-end procurement solution for Government of Karnataka was used only as a tender processing website even after eight years of its implementation.

**(Paragraph 3.1)**

### **1.6.3 Compliance audit**

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

#### **1.6.3.1 Follow up audit on Internal Control System in Department of Prisons**

After discussing the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2004, the Public Accounts Committee had given detailed recommendations (December 2009) in its Fifth Report. Even though more than five years have elapsed, the current audit findings indicate that though the Government had taken certain initiatives to implement the recommendations of the Public Accounts Committee, the measures taken were inadequate and much more action needs to be taken to ensure that the internal control systems in the Prisons are made effective.

With a view to ensure more effective implementation, Government needs to update and revise the Karnataka Prisons Manual, 1978, to keep it valid for all times; issue detailed guidelines for the upkeep and usage of the sophisticated electronic equipment purchased and ensure their effective use; ensure strict adherence to the guidelines for checking of prohibited articles and ensure that equipment such as CCTV cameras and jammers are maintained properly to ensure proper functioning. There is need to encourage the usage of Video Conferencing facilities with regard to producing undertrials before courts, maximise the benefits from Lok Adalats, and also provide adequate medical services/counselling by ensuring availability of adequate numbers of doctors, counsellors etc.

**(Paragraph 4.1)**

### **1.6.3.2 Implementation of Juvenile Justice Act, 2000**

The objective of the Juvenile Justice Act (JJ Act) is to protect children and bring about improvements in their condition. However the way this act is being implemented gives rise to serious concerns. The first requirement for effective implementation is to first identify children at risk and who are living in difficult circumstances, so that timely care and protection may be given, and hence identification of such children through a need based assessment survey is essential. It was, however, observed that out of 30 districts in Karnataka, such a survey had not been carried out in nine districts, and in 21 districts, the survey though carried out was still pending approval and hence not finalised. In the absence of a reliable database, the number of children who require care and protection could not be ascertained.

There was also inordinate delay in the clearance of the cases referred to the Juvenile Justice Board as well as Child Welfare Committees, which resulted in huge pendencies. Many CCIs continued to run without registration which was mandatory. Further, 103 CCIs whose registration had been rejected by the Department of Women and Child Development, for not complying with standards continued to operate, indicating lack of Government control.

While, the JJ Act stipulated for separate homes for Juvenile delinquents and children who required care and protection, in some of the test-checked CCIs, it was observed that both were put up in the same place, which was in violation of the Act. Most of the CCIs also failed to provide the minimum standard of care in terms of physical infrastructure, sanitation and hygiene, medicinal care, education *etc.*, as required under JJ Rules, 2010. Except for one paramedical staff available, services of doctor, counsellor and house mother/father were not provided in a Special Home in Ballari which housed 50 mentally retarded children.

The non-functioning of the State Advisory Board and Management Committee and lack of inspection by District Inspection Committee also contributed to poor monitoring and effective implementation, which contributed to the deficiencies in implementation of the JJ Act.

In view of these serious deficiencies, Governments needs to review the current way the act is being implemented so as to enable it to effectively deal with its deficiencies and ensure that the children who require and deserve care and protection are truly provided the same.

**(Paragraph 4.2)**

### **1.6.3.3 Investments made by the Bangalore Development Authority in Mutual Funds**

A special audit was conducted on the investments made by the Bangalore Development Authority (BDA) in mutual funds during the period 1999-2014. The highlights of the special audit are given below:

BDA had no investment policy to manage its surplus funds. An investment committee constituted had no guidelines to work with. The three Finance Members during the period 1999-2014 had violated all principles of financial

propriety, failed to maintain financial records as per the provisions of Karnataka Financial Code and to conduct internal audit, and also did not ensure proper checks and balances through segregation of duties of staff in the finance wing. The Second Division Clerk, banks and brokerage firms aided, abetted and participated in committing various financial irregularities.

The BDA's funds were diverted to Mutual Funds and transferred to other organisations by opening and operating unauthorised bank accounts, creation of fake Term Deposits, suppressing of facts, falsification of records, preparation of misleading financial statements and destroying the trail of all transactions.

The unauthorised transfer of funds for investment in Mutual Funds and also to other organisations that audit was able to track resulted in financial loss of ₹205.85 crore to the BDA. The unauthorised transfer of funds aggregating ₹6.17 crore to BMRCL, Coffee Board and Karnataka Backward Classes Department Buildings Construction Society represented cases of misappropriation of BDA's funds.

**(Paragraph 4.3)**

#### **1.6.3.4 Other audit observations**

Deficiencies in implementation of the scheme on 'Inclusive Education of the Disabled at the Secondary Stage' by the State Government and also disregarding of guidelines issued by the Ministry of Human Resource Development resulted in loss of central grants of ₹18.93 crore for the year 2009-11, and excess payment of ₹1.79 crore besides resulting in children and young persons with disabilities being deprived of the educational facilities which were envisaged for them.

**(Paragraph 4.4)**

Purchase of commercial off-the-shelf package software 'Campus Resource Management' of a private software company by various medical institutions, without study of user specification or understanding of business needs, resulted in non-utilisation of software procured and also rendered the amount of ₹2.68 crore invested on the software unproductive.

**(Paragraph 4.5)**

Non-compliance to the guidelines issued by Ministry of Home Affairs with regard to utilisation of funds released to the State under the Scheme Modernisation of Police Forces resulted in loss of Central assistance of ₹79.16 crore during 2013-15.

**(Paragraph 4.6)**

Non-availing of exemption under the Income Tax Act, 1961 by the Karnataka Building and Other Construction Workers' Welfare Board resulted in avoidable payment of ₹42.83 crore towards income tax and ₹ three crore towards penal interest.

**(Paragraph 4.9)**

The Bangalore Development Authority did not follow various procedures prescribed in the Bangalore Development Authority Act, 1976 for acquisition of land for developmental schemes. This resulted in utilisation of land without acquisition and also excess payment of compensation of ₹46.93 crore.

**(Paragraph 4.12)**

Due to ambiguity in various clauses on price adjustment in the bid document of a project floated by the Karnataka Urban Water Supply and Drainage Board (Board), the Board could not operate the contract properly which led to extending undue benefit of ₹6.17 crore to the agency.

**(Paragraph 4.13)**

## **1.7 Lack of responsiveness of Government to Audit**

### **1.7.1 Outstanding inspection reports**

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

As of 31 March 2015, 394 IRs (1994 paragraphs) were outstanding against the Higher Education Department. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix-1.1**.

A review of the pending IRs, issued upto March 2015 showed that the Heads of Offices had not sent even the initial replies in respect of 11 IRs containing 100 paragraphs issued between September 2014 to March 2015 though all IRs were required to be replied to within a period of one month from the date of their receipt.

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

The Draft paragraphs and Performance audit reports were forwarded demi-officially to the Principal Secretaries/Secretaries of the Departments concerned between June and October 2015 to send their responses within six weeks. Government replies have been received for both the Performance Audits, Information Systems audit and 10 out of 12 paragraphs featured in this Report. The replies, wherever received, have been suitably incorporated in the Report.

### ***1.7.3 Follow-up action on Audit Reports***

The Hand Book and the Rules of Procedure (Internal Working), 1999 of the Public Accounts Committee provide for furnishing by all the departments of Government, detailed explanations in the form of Action Taken Notes (ATNs) to the audit observations included in Audit Reports, within four months of their being laid on the Table of Legislature to the Karnataka Legislature Secretariat with copies thereof to Audit Office.

The administrative departments did not comply with these instructions and 16 departments as detailed in **Appendix-1.2** had not submitted ATNs for 57 paragraphs for the period 1996-97 to 2013-14 even as of 30 November 2015.

### ***1.7.4 Paragraphs to be discussed by the Public Accounts Committee***

Details of paragraphs (excluding General and Statistical) pending discussion by the Public Accounts Committee as of November 2015 are detailed in **Appendix-1.3**.

# **Chapter-II**

## **Performance Audit**



## Chapter-II

### Performance Audit

#### Department of Health and Family Welfare/ Department of Medical Education

### 2.1 Health care facilities in State Sector Hospitals including Autonomous and Teaching Hospitals

#### Executive Summary

Healthcare facilities in the State are provided through a three tier system *viz.*, primary, secondary and tertiary level of healthcare. A performance audit of the 'Healthcare facilities in the State Sector Hospitals including Autonomous and Teaching Hospitals' under the Secondary and Tertiary level of healthcare was conducted covering the period 2010-15. There were inadequacies in creation of infrastructure as well as in providing healthcare services in terms of availability of services as well as quality care which is brought out below:

- Out of 113 taluk hospitals, which were upgraded as 100 bedded hospitals in 2006-07, only 63 were functional with the bed strength of 100 and the remaining 50 continued to function with bed strength less than 100.
- In the 28 test-checked hospitals we observed that most of the hospitals had not obtained statutory compliance from the fire authorities; Atomic Energy Regulation Board for X-ray and CT scan units; State Pollution Control Board for biomedical waste management; excise permit for storing spirit and license for blood bank/authorisation for storage of blood *etc.*
- Seventy five *per cent* of hospitals had less sanctioned strength than that prescribed under the IPHS guidelines with regard to specialists, staff nurses and laboratory technicians which hampered health services.
- While 50 *per cent* of the General/District Hospitals did not have services of General Medicine as well as Ophthalmology; General Surgery, Obstetrics & Gynaecology and Paediatrics services were not available in 35, 21 and 41 *per cent* of the General/District Hospitals respectively.
- In some of the hospitals test-checked, though equipment *viz.*, Scanners, X-ray machines, Treadmill, Echocardiogram, *etc.*, were available, but due to shortage of technicians, the equipment remained unutilised.
- Sixty eight *per cent* of the hospitals test-checked had not got their laboratory results validated through external laboratories.
- Insufficient equipment in Intensive Care Units and Operation Theatres affected the quality of vital health services.
- There were shortcomings in support services under laundry and disposal of medical waste in terms of providing adequate laundry facilities and regular disposal of biomedical waste.
- Special initiatives taken by Government to create/establish Burns Wards and Trauma care centres were not functioning effectively due to inadequate release of funds as well as lack of manpower.

### 2.1.1 Introduction

Health care facilities generally consist of curative, preventive, promotive and rehabilitation services. Under the constitution, health is a State subject and Karnataka has developed its own healthcare delivery system based on the guidelines issued by the Government of India (GoI) from time to time.

During 2014-15, the State has expended ₹2,013.70 crore towards health, which as a percentage of total Government expenditure was 5.95 *per cent*.

### 2.1.2 Organisational Set-up

The State Sector Hospitals work under two departments, the Department of Health and Family Welfare (HFW) and the Department of Medical Education (ME). These two departments are headed by Principal Secretaries. The Commissioner, HFW, and the Director, ME, assist their respective Principal Secretaries and are the overall administrative heads of their Department. There are 20 District Hospitals (DHs) and 122 Taluk or General Hospitals (GHs) in the State which come under the jurisdiction of HFW and 29 Autonomous hospitals which come under the jurisdiction of ME. While Medical Superintendents/District Surgeons are in-charge of the DHs, the Directors are in-charge of Teaching and Autonomous hospitals in the State.

### 2.1.3 Health care set-up

Health care services in the State are provided through a three tier system *viz.*, primary, secondary and tertiary level of health care.

<b>Primary health care services</b>	Provided through Primary Health Centres (PHCs) and Sub-centres (SC). The PHC is the cornerstone of rural health services.
<b>Secondary health care services</b>	Essentially includes Community Health Centres (CHCs), Taluk Hospitals and District Hospitals. The CHCs are designed to provide referral as well as specialist health care to the rural population. The Taluk Hospitals act as First Referral Units for the Taluk /block population in which they are geographically located. They are also referred as General Hospitals (GHs). Specialist Services are provided through these hospitals. They form a link between SC, PHC and CHC on one end and DH on the other end. The District Health care system is the fundamental basis for implementing various health policies, delivery of health care and management of health services for a defined geographic area. It provides curative, preventive and promotive health care services to the people in the district.
<b>Tertiary health care services</b>	It comprises of Teaching and Autonomous hospitals which provide specialised health care services.

Infrastructure facilities available in the State during 2014-15 are as follows.

Healthcare facility	In numbers
Teaching Hospitals and Autonomous hospitals	29
District hospitals	20
Taluk hospitals or General Hospitals	158
Community Health Centres	206
Primary Health Centres	2,353
Sub-centres	8,871

### 2.1.4 Audit objectives

The performance audit was conducted to analyse:

- Adequacy of existing healthcare facilities in the State Sector Hospitals *ie.*, Taluk and District Hospitals, including Autonomous and Teaching Hospitals.
- Its impact on delivery of quality health care to patients.

### 2.1.5 Audit criteria

Audit findings were benchmarked against the criteria sourced from the following:

- State Integrated Health Policy
- Indian Public Health Standards (IPHS)-Guidelines for DHs
- Medical Council of India Standards – norms for tertiary health care facilities
- Drugs and Cosmetics Act, 1940, and Rules, 1945
- National Accreditation Board for Hospitals and Healthcare Providers (NABH) Standards
- Biomedical Waste (Management & Handling) Rules, 1998
- Orders, instructions, circulars issued by GoI and State Government from time to time

Since, the State Government has not formulated any norms/standards for infrastructure, service delivery and equipment, Audit has adopted IPHS and MCI guidelines as the benchmark for assessing healthcare facilities in the hospitals. While the IPHS guidelines stipulate the essential and desirable services that are to be provided by the DHs and GHs, the MCI stipulates the services that are to be provided by the Teaching and Autonomous Hospitals.

### 2.1.6 Audit Scope and Methodology

The performance audit covered healthcare facilities in the State Sector hospitals, *viz.*, DHs, Taluk Hospitals also called General Hospitals (GHs), and Teaching and Autonomous Hospitals. The performance audit commenced with an Entry Conference held (April 2015) with the Principal Secretary, HFW and ME in which audit scope and methodology was explained. Audit was conducted during January to July 2015 covering the period 2010-15 through test-check of records of the Secretariat, Commissionerate of HFW, and Directorate of ME. The methodology adopted for audit included scrutiny of files and documents, collection of data through issue of audit enquiries/questionnaires/proforma and examination of records. Besides, joint inspection along with Medical Superintendent/District Surgeon/Chief Medical Officer was conducted to ascertain working of DHs, GHs, teaching and Autonomous hospitals.

Probability proportional to size sampling without replacement was adopted for selecting ten<sup>5</sup> districts covering four revenue divisions of the State. In addition to 26 hospitals selected for detailed study across ten districts, two super speciality hospitals and one hospital during pilot study were test-checked. List of hospitals selected are detailed in **Appendix-2.1**. Audit findings were discussed with the Principal Secretary, HFW and ME in an Exit Conference held on 20 October 2015.

## **Audit findings**

### **2.1.7 Karnataka State Integrated Health Policy**

The Government of Karnataka formulated (February 2004) the Karnataka State Integrated Health Policy (Policy), which amongst other objectives, aimed to provide improved access to good quality healthcare. It also endeavoured to provide quality healthcare with equity. The health care policy also aimed to ensure adequate availability of personnel with specialisation in public health to discharge public health responsibilities in the state. It also involved providing a credible and sustainable referral system, encouraging greater Public-Private Partnership (PPP) for providing quality healthcare to the underserved areas, strengthening Health Infrastructure *etc.*

The subsequent paragraphs in the report bring out the adequacies or inadequacies of the steps taken by the State Government towards achieving the main objectives of the policy of providing health care services in the State.

### **2.1.8 Secondary level health care services**

Apart from CHCs, secondary level health care services are provided through GHs and DHs. The GHs are placed below the district and above the block level (CHC) hospitals and act as the First Referral Units for the Taluk population in which they are geographically located. The DH covers a defined geographical area, containing a defined population. Its objective is to provide comprehensive secondary health care services to the people in the district at an acceptable level of quality and be responsive and sensitive to the needs of people and referring centres.

#### **2.1.8.1 Non-upgradation of General Hospitals**

The State Government upgraded 113 GHs (50 and 63 in January 2006 and January 2007 respectively) from the existing 30/50 beds to 100 beds with additional manpower. We observed that only 63 hospitals were handed over (July 2015) by the Zilla Panchayats to the State sector and functioning with the bed strength of 100 beds. Even after a lapse of eight years, the other 50 hospitals continued to function as 30/50 bed hospitals. We observed that out of the said 50 hospitals, though building was completed in respect of five hospitals, they continued to function as 30/50 bed hospitals. In respect of six

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<sup>5</sup> Belagavi, Bidar, Chitradurga, Kalaburagi, Karwar, Madikeri, Mangaluru, Mysuru, Shivamogga and Vijayapura

hospitals, proposal for construction was sent (February 2015) to the Government. While, the status of construction in respect of 17 hospitals was not available with the department, 60 to 90 *per cent* of construction was completed in respect of balance 22 hospitals. Hence, delay in upgradation of 50 hospitals resulted in the hospitals continuing to function with inadequate bed strength thereby failing to provide comprehensive secondary health care services at the district level.

The Government replied (November 2015) that many of the upgraded hospitals were still under the administration of Zilla Panchayats and a proposal to transfer the administration of the said hospitals to the State Sector had been submitted (February 2015) to the Government. The reply is not satisfactory as the Government should have taken timely action to get the hospitals upgraded and transferred the same to the Government.

### 2.1.8.2 *Inadequacies in Physical infrastructure*

Development of infrastructure facilities in public health institutions is essential for providing quality medical services. The essential items of infrastructure facilities were mostly provided in the GHs, DHs, Teaching and Autonomous hospitals as per the standardisation norms. However, joint inspection of the 28<sup>6</sup> hospitals test-checked revealed certain deficiencies which are discussed below:

- There was overcrowding of wards and hence patients were accommodated in floor beds and beds in passages in six<sup>7</sup> hospitals (two teaching hospitals, two DHs and two GHs).



<sup>6</sup> KR Hospital and Cheluvamba Hospital in Mysuru and Lady Goschen Hospital and Wenlock Hospital in Mangaluru are to be treated as single hospital in each district. For the purpose of adequacy with respect to infrastructure, however, the hospitals are considered as separate hospitals.

<sup>7</sup> KIMS – Hubballi, Cheluvamba-Mysuru, DH-Chitradurga and Lady Goschen, Mangaluru; GH-Sirsi and Puttur

- Wards were unhygienic due to seepage of water and formation of fungus in four<sup>8</sup> hospitals (two teaching hospitals, one DH and one GH).
- There were no separate wards for males and females in DH-Vijayapura, and GH-KR Nagar.
- Overcrowding of ICU was found in almost all the 28 hospitals test-checked.



[Intensive Care Unit (Crowded with attendants) in DH, Kalaburagi]

- There were no proper facilities in Gynaecology Outpatient Department (OPD) of Belagavi Institute of Medical Sciences (BIMS), Belagavi.
- There was also absence of screen facility for privacy of patients, shortage of linen, non-availability of potable water and absence of toilets and seating for attendants.

Audit findings in respect of creation of physical infrastructure in the test-checked hospitals are discussed below:

**(a) Idle infrastructure**

- Construction of a 500 bedded hospital at DH - Kalaburagi old hospital scheduled to be completed by January 2008 was completed during June 2013 at a total cost of ₹53.23 crore, but it was yet to be handed over to the District Surgeon (July 2015). We observed that out of equipment purchased worth ₹1.28 crore during the period August and November 2014, equipment worth ₹77.49 lakh was utilised in the existing old hospital at Kalaburagi, the balance equipment which were installed in the new hospital were lying idle. Further, the construction of the hospital building was not as per the norms prescribed by IPHS viz., the operation theatre (OT) has to be dust and moisture proof. The entry to the OT was open to sky and hence could not be made dust/moisture proof. Also, there was no provision for disposal/dirty zone. Besides, the new building did not have fire safety exit, centralised oxygen facility, centralised AC for OT, radiation safety measures and launderette, all of which are mandatory for the proper functioning of a hospital. The Government replied (November 2015) that action had been initiated to provide all facilities as per IPHS standards.
- The Geriatric ward in DH, Chitradurga, was completed during November 2013 at a cost of ₹45 lakh, it was not put to use.

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<sup>8</sup> KR Hospital and Cheluvamba Hospital –Mysuru; DH – Wenlock hospital, Mangaluru; GH-Puttur

**(b) Incomplete infrastructure**

The construction of Mother and Child hospital in the Karnataka Institute of Medical Sciences (KIMS), Hubballi to accommodate Obstetrics, Gynaecology (OBG) and Pediatric services which was slated to be completed by October 2012 was still under construction (November 2015). Therefore the OBG and Pediatric wards of the existing hospital had become overcrowded, and beds were placed in the corridors of the hospital to accommodate post operative/post delivery cases.

**(c) Non-compliance to statutory requirements**

IPHS guidelines stipulated statutory compliances such as no objection certificate from competent fire authority, authorisation from Atomic Energy Regulation Board (AERB), type and site approval from AERB for X-ray, CT Scan unit, etc., that should be complied with by the DHs. We observed that none of the 28 test-checked hospitals had clearance from the fire authorities, and only five hospitals had obtained authorisation from AERB for X-ray and CT scan units. Only seven hospitals had obtained the narcotic drug license and nine, twelve and five hospitals did not have authorisation from the State Pollution Control Board for biomedical waste management, excise permit for storing spirit and license for blood bank/authorisation for storage of blood respectively. Thus, non-compliance by DHs is indicative of lack of quality health care facilities.

**2.1.9 Services in General, District and Teaching hospitals**

GHs are also the First Referral Units for providing emergency obstetrics care and neonatal care. The services to be provided at a GH are grouped as Essential (Minimum Assured Services) and Desirable (which it should aspire to achieve). Besides basic speciality services, due importance is to be given to Newborn Care, Family Planning, Psychiatric services, Physical Medicine, Rehabilitation services, Geriatric Services, Accident and Trauma Services and Integrated Counselling and Testing.

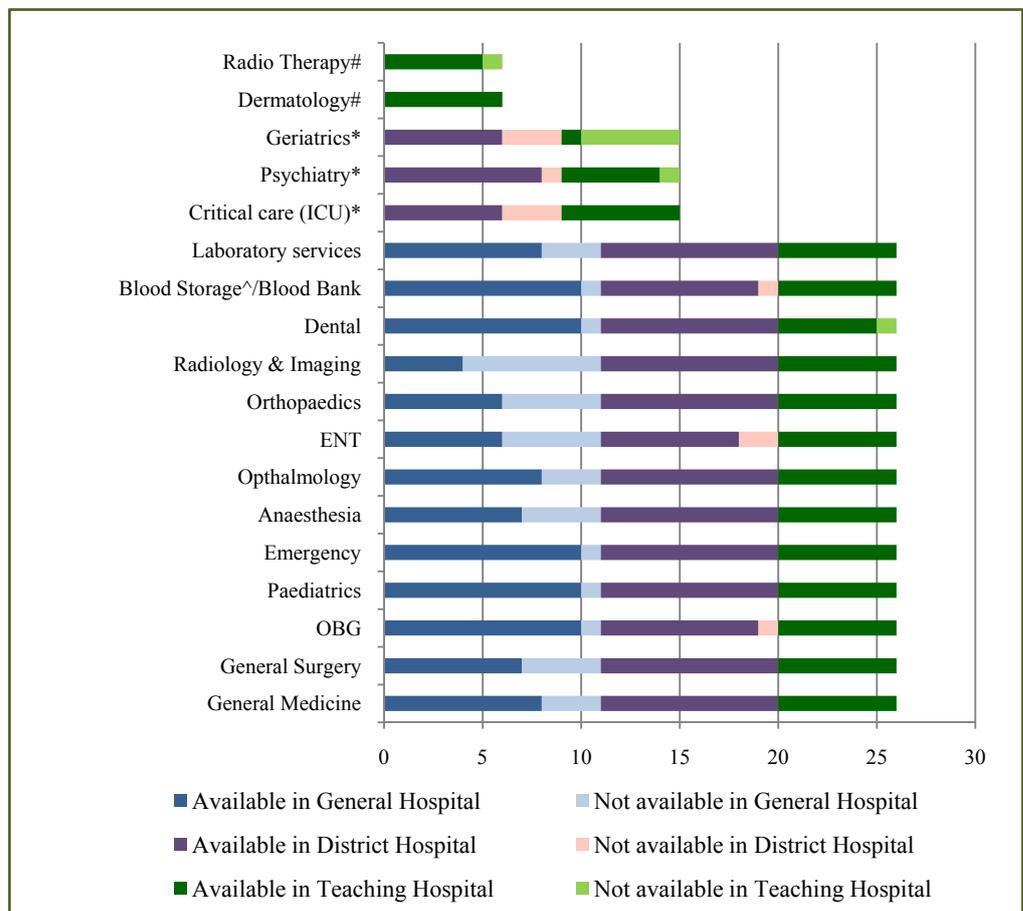
Services that a DH provides are also grouped as 'Essential' and 'Desirable'. Besides, the basic specialty services, due importance is also given to Newborn Care, Psychiatric services, Physical Medicine and Rehabilitation services, Accident and Trauma Services, Dialysis services, Anti-retroviral therapy and Patient Safety and Infection control norms. Hence, a DH should be in a

position not only to provide all basic speciality services but should aim to develop super-specialty services gradually. Further, a DH is also required to be ready to handle epidemics and disaster management at all times. In addition, it should provide facilities for skill based training for different levels of health care workers.

A teaching hospital provides tertiary healthcare services in the state. In addition, it provides clinical education and training to medical students throughout their period of matriculation, and especially during their internship years.

The services available in test-checked hospitals are brought out in **Chart-2.1** below.

**Chart-2.1: Services available in the test-checked hospitals**



\*Essential for only District Hospital #Essential for only Teaching Hospital

Note: Three GHs performing as District level hospitals have been considered as DHs for analysing services provided.

The audit observations on various services in the test-checked hospitals are brought out in the succeeding paragraphs.

Adequate manpower in medical services is a critical component having a direct bearing on patient care. However, we observed that there was no periodic assessment for revision of manpower in the State. The Government of Karnataka had approved norms for staff for various categories of medical institutions in the State in October 1980 which was revised only in July 2014.

The staff pattern prescribed by the State Government for GHs and DHs was compared with the IPHS guidelines and the results of the comparison are indicated in **Table-2.1**.

**Table-2.1: Comparison of staff pattern between IPHS and State Government**

Cadre	No. of hospitals where sanctioned strength was as per IPHS norms	No. of hospitals where sanctioned strength was less than IPHS norms
Specialists	03	18 (86%)
Staff nurse	02	19 (90%)
Pharmacist	08	13 (62%)
Lab Technician	05	16 (76%)
Radiology Technician	09	12 (57%)

(Source: IPHS norms and details as furnished by the Commissionerate office)

As can be seen from the table, 75 per cent of hospitals had less sanctioned strength in terms of IPHS guidelines with regard to Specialists, Staff nurse and Lab technician cadres. While the lack of specialists not only has a direct bearing on the quality of care administered to patients, it also indicates non-availability of services in some cases.

The Government replied (November 2015) that at present the Government had prescribed the requirement of doctors on the basis of bed strength and hence was not following the IPHS norms for sanctioning manpower to hospitals. However, no norms of the Government were made available to audit, and the reply also did not address the issue regarding shortage of doctors.

#### 2.1.9.1 General Specialities Services

The standardisation norms provided by IPHS specify essential general specialisation services such as General Medicine, General Surgery, Obstetrics and Gynaecology, Paediatrics, Ophthalmology *etc.* that should be available in hospitals. We observed that out of 20 DH and 146 GH in the State, more than 50 per cent of the hospitals did not have General Medicine as well as Ophthalmology. The much required specialisation services in General Surgery, Obstetrics and Gynaecology and Paediatrics were not available in 35, 21 and 41 per cent of the hospitals respectively. Dermatology, a desirable service was not available in 75 per cent of the hospitals. The details of lack of other essential general specialisation services are indicated in **Appendix-2.2**.

The lack of essential general services could be attributed to critical vacancies<sup>9</sup> in the hospitals. We observed that only 73 out of 166 hospitals (20-DHs and 146-GHs) had the combination of all the three specialists (OBG, Anaesthesia and Paediatrics). This indicated that 93 hospitals suffered from critical vacancies.

<sup>9</sup> Critical vacancies – One of the norms for defining critical vacancy is absence of one or more Specialists among the team of three Specialists, *viz.*, OBG, Pediatrician, Anesthetist who are very essential for providing proper care to mother and child health in a Government Hospital or Government Institution.

Further, in addition to the Specialists, support of other staff is essential for efficient and effective functioning of the hospital. The status of staff nurse and para clinical staff available in the hospitals test-checked are detailed in **Table-2.2.**

**Table-2.2 : Status of staff nurse and other para clinical staff available in the hospitals test-checked**

Cadre	No. of hospitals where vacancy is in excess of 50 per cent
Staff nurse	03
Pharmacist	10
Laboratory Technician	06
Radiology Technician	02

(Source: Details furnished by the Commissionerate office)

Thus, there was acute shortage of staff which hampered functioning of the hospitals. Further, as per IPHS norms, the nurse to bed ratio for DHs was 0.45 and for GHs was 0.35. We observed that the ratio was less than the prescribed norms in all the hospitals test-checked.

The Government replied (November 2015) that action has been initiated to appoint 1,401 doctors in various fields.

The audit observations on general speciality services in the hospitals test-checked are as follows:

- In six hospitals (four GHs, one DH and one Teaching hospital)<sup>10</sup>, though Ophthalmology had an operation theatre as well as an Ophthalmic Surgeon, patients were referred to other hospitals or eye camps conducted by private hospitals due to non-availability of equipment/equipment under repair.
- In GH, Anekal, although there was an Ophthalmic Surgeon as well as equipment, patients were referred to other hospitals due to non-availability of operation theatre.
- As per IPHS guidelines, Radiotherapy was a desirable service which should be available in all hospitals. This facility is available only in two hospitals *i.e.*, in Victoria Hospital, Bengaluru and Kidwai Memorial Institute of Oncology (KMIO) which were operational since 1965 and 1986, respectively. Presently, the waiting time for cancer treatment is about two/three months on an average in KMIO. Hence there is need to upgrade the Department of Radiotherapy in Victoria Hospital and open many such hospitals in other districts to reduce the burden on existing hospitals.

Availability/sufficiency issues regarding manpower in the hospitals test-checked which hampered the delivery of health services are brought out below:

- The Radiologist of Sir C.V.Raman GH, Indiranagar, Bengaluru was attached with additional duty in two other GHs.

<sup>10</sup> GH Shikaripura, GH Puttur, GH Bailahongal, GH KR Nagar, DH Karwar and SIMS Shivamogga

- DH, Vijayapura – There was one Gynaecologist who was to attend 360 patients in a month on an average.
- DH, Karwar - During joint inspection, we noticed that the female surgical ward (20 beds) was full and male surgical wards (20 beds) were full with one staff nurse in each who was catering to these patients. On the other hand, we noticed that there were more staff nurses in wards such as Paediatrics *etc.*, which had no patients.
- GH, Sirsi - During the night only three staff nurses were being deployed for the entire hospital to take care of patients.
- GH, Nanjanagudu – Against two dentists, one dental chair was available with dental equipment which was corroded. In addition, the hospital had one Anaesthetist who was not qualified for the post but trained for emergency obstetric care.
- GHs, Aland and Chincholi – In the absence of the pharmacist in both the hospitals, the drugs were allowed to expire.
- GH, Hiriyur – In the absence of General physician, snake bite, poison cases *etc.*, were referred to DH, Chitradurga even though the medicines were available in the hospital.

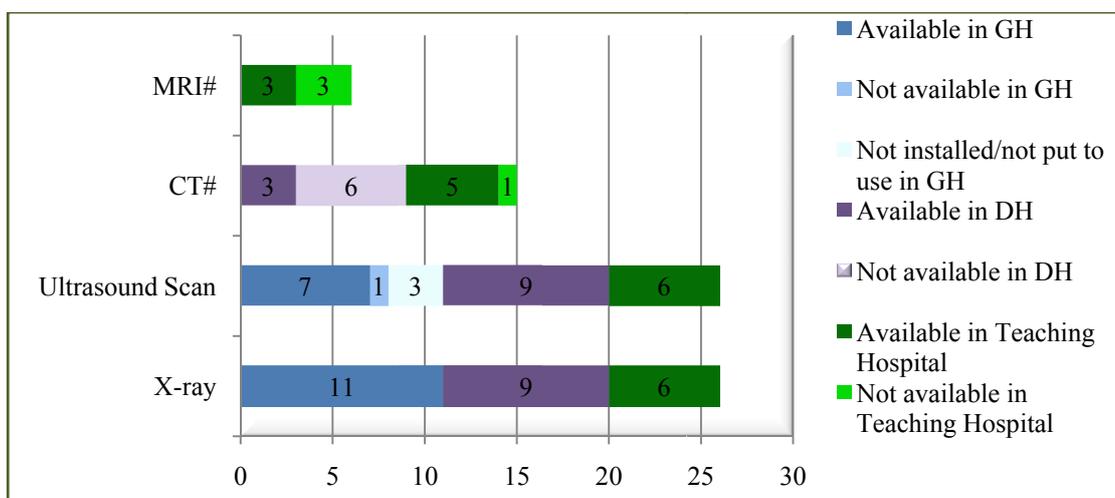
**Recommendation-1:** Government should ensure adequacy of staff in all hospitals. It should also periodically review the manpower position with regard to requirement, and initiate action for recruitment thereon.

### 2.1.9.2 Clinical Services

#### (a) Imaging services

While X-ray and Ultra Sound Scanners are essential diagnostic equipment for providing quality medical care to patients, CT scan is desirable equipment for a DH. The position of availability of X-ray, Ultra Sound Scanner and CT scan in the hospitals test-checked are indicated in **Chart-2.2**.

**Chart-2.2: Availability of imaging services in the hospitals test-checked**



# Essential only for Teaching Hospital.

Note: Three GHs performing as District level hospitals have been considered as DHs for analysing services provided.

While all the hospitals test-checked had X-ray facilities, Ultra sound scanner facility was also available except in one hospital. In 11 hospitals, 18 out of 49 X-ray machines of various specifications were not functional at the time of audit visit. In three<sup>11</sup> hospitals (one DH and two GH) one X-ray machine each was yet to be installed. The Government replied (November 2015) that action has been taken to maintain the equipment in functional status by creating an Equipment Maintenance Cell.

In eight hospitals, nine out of 14 Ultrasound scanners were not functional. This included two scanners which remained uninstalled in GHs, Nanjanagudu and Chincholi and three scanners which were installed in GHs, Hiriyur, Shivamogga Institute of Medical Sciences (SIMS), Shivamogga and KIMS, Hubballi were not put to use. In three<sup>12</sup> hospitals (one DH and two Teaching Hospitals) the ultrasound scanner was kept idle for want of a Radiologist/technician.

As regards the CT scanner, which was desirable for DH and mandatory for Teaching hospitals, a joint inspection revealed that seven hospitals (six DH and one Teaching Hospital) did not have the same. Spiral CT supplied to BIMS, Belagavi in November 2014 and installed was yet to be put to use for want of AERB Report. CT scanner available at BRIMS, Bidar was also not put to use for want of a technician. In KIMS, Hubballi, the Head of the Department of Radiology stated that the available CT Scan Dual Slice was totally outdated and did not cater to the various investigations, numbers and requirements of the teaching hospital. Further, the MRI Scan required as per MCI standards was available only in three out of seven teaching hospitals. The Government replied (November 2015) that the Department of HFW has initiated Tele-radiology service to bridge the gap of lack of radiologists.

### **(b) Radiation Safety Measures**

We noticed that the technicians manning the X-ray units in 15 hospitals test-checked were not provided with Thermo Luminescence Dosimeter (TLD) film badges to indicate levels of exposure to radiation. The Government replied (November 2015) that TLD badges would be procured and supplied to all the technicians and supporting staff.

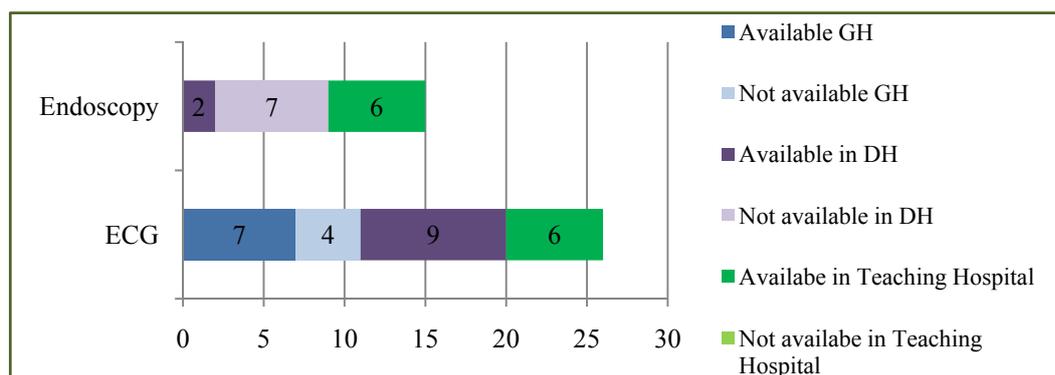
### **(c) Other Diagnostics services**

Besides imaging facilities, diagnostic services, Echocardiogram (ECG) and Endoscopy are essential in a DH. The position of facilities like diagnostic facilities in the hospitals test-checked are indicated in the **Chart-2.3**.

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<sup>11</sup> Sir CV Raman GH, Indiranagar; DH Madikeri and GH Humnabad

<sup>12</sup> DH Vijayapura; OBG department of KIMS, Hubballi; SIMS Shivamogga

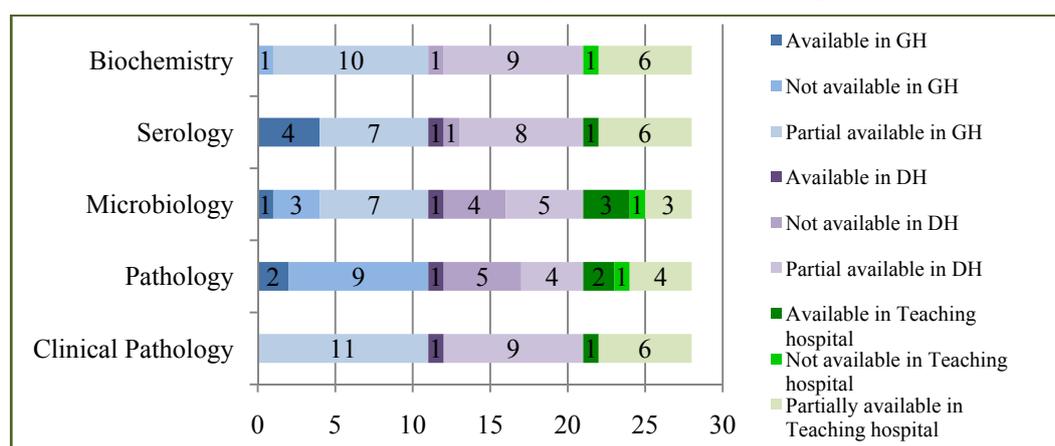
**Chart-2.3: Availability of diagnostic services in the hospitals test-checked**

Note: Three GHs performing as District level hospitals have been considered as DHs for analysing services provided.

In four<sup>13</sup> hospitals, equipment such as Treadmill, EMG and Echocardiogram were not utilised on account of non-availability of technicians. In DH – Chitradurga, Endoscopy was not utilised due to lack of technician.

#### (d) Laboratory services

The IPHS guidelines stipulate that external validation of laboratory reports to be done on a regular basis. We, however, observed that 19 out of the 28 hospitals test-checked had not got their laboratory results validated by external laboratories. Validation of results of laboratory reports is an important requirement to ensure that the patients were given accurate reports on which treatment by Doctors would be based. Thus non-validation weakens the assurance for proper diagnosis of patients. The availability of the laboratory services such as clinical pathology, pathology, microbiology, serology and biochemistry in the hospitals test-checked are indicated in **Chart-2.4**.

**Chart-2.4: Availability of laboratory services in the hospitals test-checked**

Note: Three GHs performing as District level hospitals have been considered as DHs for analysing services provided.

The joint inspection of the 28 hospitals test-checked revealed that the laboratories were not adequately equipped and some of the existing equipment was not in working condition, thereby depriving the patients of quality laboratory facilities. Some audit observations are discussed below:

<sup>13</sup> GH Shikaripura, DH – Chitradurga, Vijayapura and BRIMS-Bidar

- There was no timely supply of re-agents which hampered usage of analysers in Victoria Hospital, Bengaluru; BRIMS, Bidar; DH Chitradurga and GH – Bailahongal and Nanjanagudu.
- The Flow Cytometer Electro process and PT-APTT machines placed in Pathology Laboratory (Cancer related detection machines) of KR Hospital, Mysuru remained un-utilised. At the time of inspection, it was stated these machines were not in use for more than a decade and that Electro process and PT-APTT could not be used for want of chemicals.
- In KIMS, Hubballi, many equipment were not in working condition.
- In BIMS, Belagavi, one Automatic BOD Incubator and one incubator in the Microbiology laboratory were not functional for the past one year.
- The equipment supplied through Commissionerate, HFW in DH, Madikeri were not put to use.
- The laboratory of DH Vijayapura was in need of equipment viz., fully automatic Bio-chemistry analyser, Haemoglobin automated analyser, ESR analyser, HbA1c analyser and Hormonal analyser (Thyroid testing machine).
- In DH Karwar, while one out of three cell counters available in the haematology/pathology laboratory and one semi auto analyser in Biochemistry laboratory were not functioning, one Elisa-5 machine was not put to use.
- In GH, Shikaripura, Automated Analyser Etachi 902 used for carrying out LFT, RFT blood sugar tests as well as Serum Electrolyte Analyser used for testing Potassium, Sodium and Chlorine levels in respect of Dialysis patients was defunct.
- The agency having AMC with GH, Sirsi failed to attend to periodic maintenance as well as breakdown of equipment.

The Government replied (November 2015) that action would be taken to obtain laboratory results validated externally. Further, it was replied that the observations of audit were noted and all necessary equipment would be procured /repaired and made functional.

**(e) Blood Bank**

Blood banks/storage centres are an essential element in the functioning of hospitals. License issued by the Drugs Controller (DC) is mandatory to run a blood bank. Audit noticed the following in the 28 hospitals:

- In Sir CV Raman GH, Bengaluru, blood bank equipment was not put to use for want of space.
- in KC General Hospital, Bengaluru, the equipment was not installed due to non-completion of civil works.
- In Victoria Hospital, Bengaluru and DH, Karwar, the equipment available in the blood bank were not working.

- In two<sup>14</sup> Teaching Hospitals, two<sup>15</sup> DHs and four<sup>16</sup> GHs, equipment was not put to use due to lack of trained manpower/essential equipment/want of license.
- In three<sup>17</sup> GHs, only storage facilities were available and these were also not put to use.
- The blood bank at GH, Shikaripura required blood bag sealer in order to avoid wastage and contamination of blood.

Due to non-working of blood banks in the hospitals, in all the above cases patients had to depend on private blood banks for obtaining blood.

- As per National AIDS Control Organisation (NACO) Guidelines and Drugs and Cosmetic Act 1940, for effective utilisation of this scarce resource, blood collected was to be preserved in CPDA solution (Citrate-Phosphate-Dextrose-Adenine solution) at temperatures between 4°C and 6°C and utilised within 35 days of its collection. Further, blood banks have to maintain the details of the blood stock, like collection from donors, issues to the needy and balance in stock along with the details of discarded blood. In addition, availability of blood in stock has to be prominently displayed.

In all the hospitals test-checked, we observed that during 2010-15 expiry of blood was the major factor for blood to be discarded. In 11 hospitals, the percentage of expired blood ranged between 10 to 82 of the discarded blood during the review period (**Appendix-2.3**). The reasons attributed for expiry were non-availability/non-installation of blood component separator, failure of the refrigerators/storage units and collection of blood in excess of requirement in mega camps.

Thus, due to above inadequacies, the blood which is very scarce, was not used for intended purpose. The Government replied (November 2015) that all the audit observations were noted and were being complied with.

#### **(f) Accident and Emergency services**

The IPHS guidelines stipulated 24x7 operational emergency with dedicated emergency room to be available in the hospital with adequate man power. Further, it also stated that the emergency block should have equipment like ECG, Pulse Oxymeter, Cardiac Monitor with Defibrillator, Multi parameter Monitor and also ventilator along with stretcher, wheelchair and trolley at the entrance of the emergency.

The availability of all the required equipment and facilities in the 28 hospitals test-checked is indicated in **Chart-2.5**.

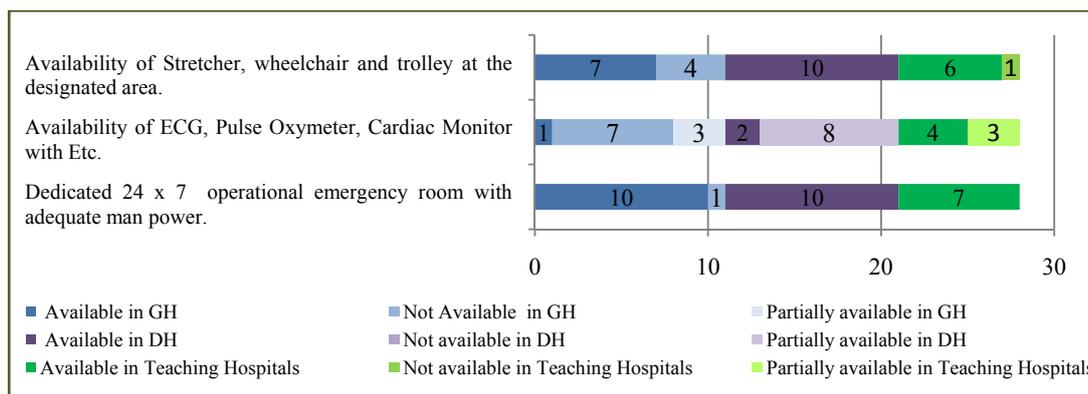
<sup>14</sup> BRIMS, Bidar; KIMS Hubballi

<sup>15</sup> DH Kalaburagi, Vijayapura

<sup>16</sup> GH Puttur, Virajpet, Sirsi, Hiriyyur

<sup>17</sup> GH Humnabad, Aland, KR Nagar

**Chart-2.5: Availability of facilities in Emergency room of hospitals test-checked**



Note: Three GHs performing as District level hospitals have been considered as DHs for analysing services provided. In addition, DH hospital Lady Goshen-Mangaluru and Wenlock Hospital Mangaluru as well as Teaching hospitals K R Hospital Mysuru and Cheluvamba Hospital Mysuru are treated as separate hospitals for the purpose of availability of emergency rooms.

The Government replied (November 2015) that:

- Due to acute vacancies in the post of anaesthetists, high end equipment such as ventilators *etc.*, are not installed in all hospitals.
- Multi-parameters and defibrillators have been equipped in ICUs of the DHs.
- Necessary steps would be taken to provide basic facilities such as wheel chair, trolleys, stretcher *etc.*, in the casualty and emergency wards.

### (g) Intensive Care Unit

Intensive Care Unit (ICU) is an essential requirement that should be available in all DHs. This unit looks after critically ill patients requiring highly skilled life saving medical and nursing care. As per IPHS norms, an ICU should not have less than 4 beds or more than 12 beds. The number of beds, however, may be restricted to five *per cent* of the total bed strength initially and that could be expanded to 10 *per cent* gradually. Further, an ICU should be located in close proximity to the OT and other essential departments, such as, X-ray and pathology so that the staff and ancillaries could be shared. This unit also needs all the specialised services, such as, piped suction and medical gases, uninterrupted electric supply, heating, ventilation, central air conditioning and efficient life services. In addition each ICU bed is required to have equipment such as high end monitor, ventilator, infusion pumps *etc.*



We observed that out of 20 DHs and five district level hospitals<sup>18</sup> in the State, three DHs<sup>19</sup> and three GHs (District level hospitals)<sup>20</sup> did not have an ICU facility. We, however, observed that between November 2012 and October 2014 equipment worth ₹65.22 lakh that was supplied for establishing the ICUs

<sup>18</sup> These are General Hospitals providing services of DH

<sup>19</sup> DH Gadag, Ramanagara and Yadgir

<sup>20</sup> Sir C V Raman GH, Indiranagar; GH, Shikaripura; GH, Virajpet

remained idle. Generally, we observed that in almost all the hospitals, the ICU was crowded and lacked sufficient ventilators, air conditioners as well as warmers in the Pediatric ICU. Due to less number of warmers in the hospitals, multiple new born children were being accommodated in a single warmer. Due to non-conformity with IPHS norms, these children would be exposed to a higher degree of risk/infection *etc.*, thereby endangering their health.

The joint inspections of 28 hospitals test-checked revealed that while many intensive care units required equipment, equipment already existing needed to be made functional. The individual observations are detailed below:

- |                              |   |   |
|------------------------------|---|---|
| Victoria Hospital, Bengaluru | : | Out of the 24 Ventilators provided to ICU, while four Ventilators were found to be defunct, six were under repair and only the balance 14 Ventilators were working.   |
| SIMS, Shivamogga             | : | Hospital did not have SICU <sup>21</sup> . Of the five Cardiac Monitors in ICCU, two were non-functional. Further, one out of the four ventilators available in MICU was not working. We also noticed seepage of water in the walls of NICU.  |
| KR Hospital, Mysuru          | : | In the MICU of the hospital, while the Cardiac monitors were not functioning properly, four out of 15 ventilators were not functioning.   |
| Cheluvamba Hospital, Mysuru  | : | Although NICU-1 had 12 warmers, it required additional warmers as more than one new born were being accommodated in a single warmer.  |
| KIMS, Hubballi               | : | The OICU, NICU, PICU and SNCU of the hospital did not have air conditioning facility. The ICU, as well as GICU and PICU required additional equipment. Some of the warmers in PICU were not working.  |
| DH, Karwar                   | : | Two out of seven warmers in SNCU were not functioning resulting in accommodating two newborns in one warmer. In addition, two ventilators costing ₹27 lakh received by the hospital during November 2014 were not put to use for want of Anaesthesia personnel.   |
| DH, Kodagu                   | : | Incubators supplied to SNCU were not functioning. The unit was not supported by a ventilator and did not have a Central Oxygen Suction facility. The unit was not supported by a proper power backup facility. Staff Nurse stated that in case of power failure, newborns kept in the warmers were put to hardship. |
| DH, Chitradurga              | : | While two ventilators were not put to use for want of required staff, compressors supplied for central oxygen and suction were also not installed.  |
| GH, Sirsi                    | : | Two out of four warmers in NICU were not functioning.   |

<sup>21</sup> GICU-Gynaecology Intensive care unit; ICU- Intensive care unit ; ICCU – Intensive Coronary care unit; MICU-Medical Intensive care unit; NICU - Neonatal Intensive care unit; OICU – Obstetric Intensive care unit; PICU-Pediatric Intensive care unit; SICU- Surgical Intensive care unit; SNCU – Sick newborn care unit

Sir C V Raman : Three ventilators supplied between November 2012 and  
GH, Bengaluru October 2014 and costing ₹37.17 lakh were yet to be  
installed and made operational.

GH, : ICU equipment such as Ventilators and CCU beds were  
Shikaripura lying idle since July 2013.

The Government replied (November 2015) that steps have been taken during 2015-16 to strengthen 17 DHs with additional equipment and that it would take action to appoint additional manpower to utilise the equipment installed. In addition, it also replied that action has been taken to get the warmers.

**Recommendation-2:** Government should put in place a review mechanism to ensure physical infrastructure as well as equipment is fully utilised by posting qualified staff/technicians/nurse/doctors/specialists *etc.*, in order to provide required quality healthcare facilities.

#### **(h) Operation Theatres**

Operation Theatres (OT) are an essential component of any major hospital. IPHS Guidelines read with Standards prescribed for the operation theatre complex require hospitals to have appropriate zoning to keep the theatres free from micro organisms. Zoning was defined on varying degree of cleanliness/asepsis, namely, Protective Zone, Clean Zone, Aseptic or Sterile Zone, and Disposal Zone. The guidelines/standards further prescribed that the OT be dustproof and moisture proof and have equipment such as shadow-less light and Boyle's apparatus in working condition. Also, Infection Control Practices had to be followed in high risk areas like OT, ICU *etc.*

We, however, observed during joint inspection that none of the test-checked hospitals had these well-defined zones. We further observed the following:

- Lack of anaesthetists/technicians or shortage of staff nurse and attenders in two<sup>22</sup> teaching hospitals.
- Equipment such as shadow-less lights/colonoscopy and operative microscope/endoscopy equipment/Boyle's apparatus/ventilators/electrocautery machine/ophthalmic microscope *etc.*, were not available in five<sup>23</sup> hospitals (three Teaching Hospitals and two GHs).
- Air conditioners were not available in six<sup>24</sup> (two GHs, two DHs and two Teaching Hospitals).
- OT tables were not available in three<sup>25</sup> hospitals (one GH, one DH and one Teaching).
- There were leakages in OT or sterile zone of OT like pre-operative area, OT corridor and doctor's room in GH, Nanjanaguda and K R Hospital, Mysuru<sup>26</sup>, which require immediate attention.

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<sup>22</sup> Victoria Hospital, Bengaluru; KIMS, Hubballi

<sup>23</sup> KIMS Hubballi; GH Nanjanaguda; Cheluvamba Hospital, Mysuru; SIMS Shivamogga; GH Bailahongal

<sup>24</sup> GH-Nanjanaguda, Cheluvamba Hospital-Mysuru, Wenlock Hospital-Mangaluru, GH-Shikaripura, DH Madikeri, BRIMS-Bidar

<sup>25</sup> KIMS Hubballi; GH Nanjanaguda; DH Kalaburagi

<sup>26</sup> GH Nanjanaguda; KR Hospital Mysuru



The above deficiencies affected the quality of OT services in terms of cleanliness, efficiency and controlling of infections.

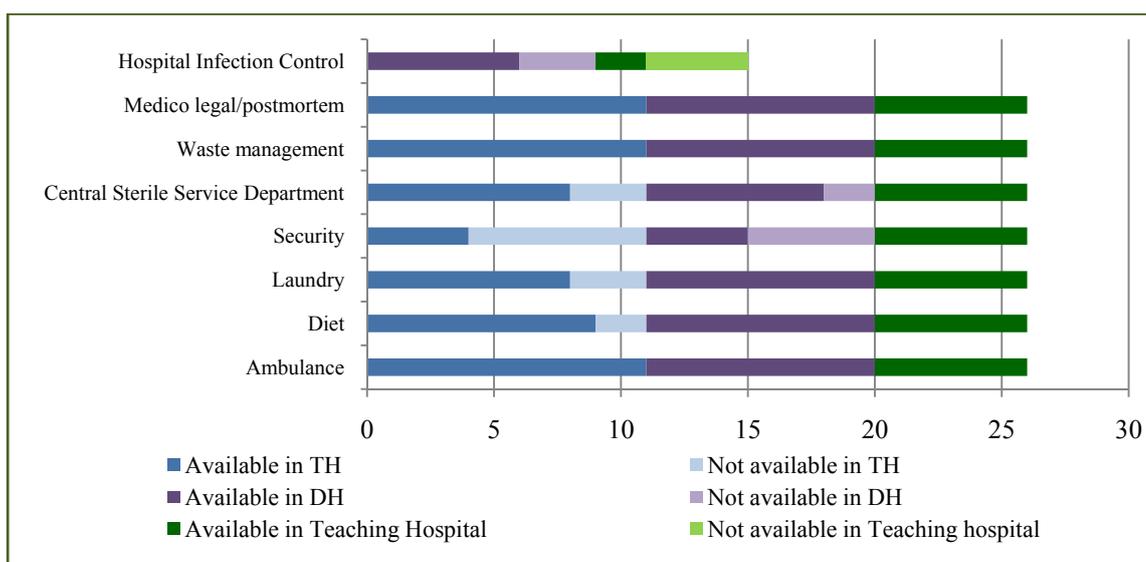
The Government replied (November 2015) that action is being initiated for upliftment of all 20 DHs under 'Kayakalpa' programme of GoI. Further, it has been stated that action has been taken to fill up the posts of Specialists, Dentist, Staff Nurse, Lab technicians and also Group D.

**Recommendation-3:** Government should review the availability of equipment as well as maintenance of existing equipment in all hospitals and take immediate action to fill the gaps which are substantial.

### 2.1.9.3 Support Services

IPHS guidelines stipulate requirement of support services *viz.*, Hospital Transport, Dietary, Hospital Laundry, Mortuary, Waste Disposal System *etc.*, for effective functioning of a hospital. The availability of support services in the hospitals test-checked is indicated in **Chart-2.6** and audit observations on some of the important services are discussed in the subsequent paragraphs.

**Chart-2.6: Availability of support services in hospitals test-checked**



Note: Three GHs performing as District level hospitals have been considered as DHs for analysing services provided.

**(a) Ambulance Services**

IPHS guidelines stipulated that hospitals have well equipped Basic Life Support and desirably one Advanced Life Support ambulance which should have a communication system.

Out of the available 90 ambulances in 28 hospitals test-checked, 24 ambulances were off road due to repairs, lack of drivers and non-registration of vehicle. Further, we observed that none of the ambulances had a communication system.

In addition, the State Government had initiated ‘Arogya Kavacha’–108 Emergency Services (November 2008) under Public Private Partnership with Emergency Management Research Institute, Secunderabad to provide Comprehensive Emergency Response Services to the people of Karnataka. The project has completed six years of its operation and at present has 711 ambulances spread across different locations of the State catering to emergencies. The ambulances are manned by a trained Emergency Medical Technician (EMT) and a trained driver (Pilot). The average number of trips per ambulance per day is 2.8 as of June 2015. The number of emergency calls attended to increased from 3,147 (November 2008) to 70,035 calls (June 2015) and medical emergencies attended to increased from 2,080 (November 2008) to 58,163 (June 2015). The 108 Emergency services have so far catered to 39.67 lakh medical emergencies since the inception of the service.

While the Arogya Kavacha–108 Emergency Services are doing good job, but the 24 ambulances being off road is a matter of concern.

**(b) Laundry Services**

IPHS Guidelines stipulate hospital laundry to be provided with necessary facilities for drying, pressing and storage of soiled and cleaned linens. Laundering of hospital linen has to satisfy two basic considerations, namely, cleanliness and disinfection.

In the 28 hospitals test-checked we observed the following:

- Five hospitals<sup>27</sup> (three GHs and two DHs) did not have power laundry and hence washing of linen was done manually in an unclean environment.
- Two hospitals, BRIMS, Bidar, and DH, Kalaburagi, had shortage of linen.
- In most of the hospitals, linen was dried in the open and in some in unhygienic atmosphere.

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<sup>27</sup> Sir C V Raman GH, Indiranagar; DH Karwar; DH Madikeri; GH Puttur; GH KR Nagar



- Though facilities for washing, drying and pressing were provided for in six<sup>28</sup> hospitals (one GH and five Teaching Hospital), on account of non-functioning equipment, laundry was done manually.

Lack of adequate facilities deprived the patients of clean and disinfected linen, thereby increasing the risk of infection.

The Government replied (November 2015) that based on the availability of funds, it was in the process of establishing high-end electric laundry in a phased manner in all hospitals.

### **(c) Management of Biomedical Waste**

As per Biomedical Waste (Management and Handling) Rules, 1998, it is the duty of every occupier of an institution<sup>29</sup> generating biomedical waste to take all steps to ensure that such waste is handled without any adverse effect to human health and the environment. Further, no untreated biomedical waste should be stored beyond a period of 48 hours.

Audit observations on the management of biomedical waste in the 28 hospitals test-checked are detailed below:

- All the hospitals test-checked except for GH Aland and GH Chincholi were disposing biomedical waste through an authorised agency and had a Memorandum of Understanding with the same.
- While there was no segregation of the biomedical waste in three<sup>30</sup> hospitals (two GHs and one DH), it was partial in seven<sup>31</sup> hospitals (four DHs and three Teaching Hospitals). In DH Kalaburagi, the biomedical waste was stored in passages, handled without proper safety precautions like gloves/mask/shoes and some of the wastes such as gloves, cotton, used syringes *etc.*, were burnt on the hospital premises along with other general waste.

<sup>28</sup> KIMS Hubballi; Cheluvamba Hospital, Mysuru; KR Hospital, Mysuru; SIMS Shivamogga; Victoria Hospital, Bengaluru; GH Sirsi

<sup>29</sup> Includes a hospital, nursing home, clinic, dispensary, veterinary institution, animal house, pathological laboratory and blood bank

<sup>30</sup> GH-Puttur, DH-Madikeri & GH-KR Nagar

<sup>31</sup> BRIMS-Bidar, Victoria Hospital-Bengaluru, DH-Kalaburagi, DH-Chitradurga, DH-Vijayapura, DH-Karwar and KIMS-Hubballi



Burning of Biomedical waste in DH,  
Kalaburagi Premises



Disposal of biomedical waste in GH,  
Chincholi

- There was no central storage facility within the hospital premises in 19 hospitals.



Biomedical storage in DH, Madikeri



Biomedical storage in DH, Karwar

- The disposal of biomedical waste was daily in respect of 17 hospitals, alternate in four GHs<sup>32</sup>, once in three days in one hospital (General Hospital-Shikaripura), weekly twice in four hospitals, once a week in one hospital (District Hospital-Madikeri) and not consistent in one hospital (KR Hospital-Mysuru). Further, in GH Hiriyyur, the placenta was not removed for the last one month.
- Immunisation was partial in eleven<sup>33</sup> hospitals (four GHs, five DHs and two Teaching hospitals) and not provided in six<sup>34</sup> hospitals (three GHs, one DH and two Teaching hospitals). Similarly, awareness and training for staff was not conducted in three hospitals (GH-Anekal, GH-Aland, GH-Chincholi) and was partial in three hospitals (DH-Karwar, KIMS-Hubballi, DH-Vijayapura).
- In contravention to the Biomedical Waste (Management and Handling) Rules, 1998, Wenlock Hospital, Mangaluru sold the used syringes, IV bottles to an external agency by calling tenders. On the day of joint inspection, we observed that huge quantities of used syringes and IV bottles were stored in the hospital premises.

<sup>32</sup> GH-Bailahongal, GH-Gokak, GH-Sirsi, GH-Karwar

<sup>33</sup> GH-Anekal, DH-Kalaburagi, SIMS-Shivamogga, GH-Shikaripura, Wenlock Hospital-Mangaluru, GH-Puttur, DH-Madikeri, DH-Karwar, DH-Chitradurga, GH Hiriyyur, KIMS-Hubballi

<sup>34</sup> CV Raman GH-Bengaluru, BRIMS-Bidar, Lady Goschen-Mangaluru, GH-KR Nagara, GH-Nanjanagudu and Cheluvamba Hospital-Mysuru



From the above, it is evident that biomedical waste was not managed properly. Besides, affecting the environment, this would also affect the persons who handled the waste as well as the people in and around the hospital.

The Government in its reply (November 2015) stated that:

- The two hospitals which earlier did not have a contract agreement with any authorised agency, had now entered into an agreement for disposal of biomedical waste.
- Training for segregation of waste has been conducted during October 2015. It further stated that segregation would be ensured by the nodal officers of the district.
- General circular regarding burning of waste would be issued.
- Action to procure personal protective equipment for the personnel handling biomedical waste has been initiated and training to use the same would be conducted.
- Action would be taken to construct central storage facility for waste in the premises of hospitals.
- In case of non-lifting of biomedical waste for more than 48 hours, the said waste was to be disposed of in deep burial pits which were provided in all hospitals.

The action taken by the State Government towards management of biomedical waste is well appreciated. However, though it has been stated that deep burial pits are provided, it was observed that they were not being used even though biomedical waste was not disposed for more than 48 hours.

**Recommendation-4:** Regular monitoring of the disposal of biomedical waste as per the contract entered into with external agencies needs to be ensured. In addition, stringent penal action should be taken for non-adherence to the conditions given in the contract.

#### **(d) Hospital Infection Control**

Each hospital is required to develop a well-designed, comprehensive and coordinated Hospital Infection Prevention and Control programme aimed at reducing/eliminating risks to patients, visitors and providers of care. In this direction, each organisation has to constitute an Infection Control Committee (ICC).

We observed that two of the seven DHs had not constituted an ICC (DHs, Karwar and Kodagu). Wenlock Hospital, Mangaluru and BRIMS, Bidar constituted an ICC subsequent to our joint inspection. Further, we observed that though BIMS, Belagavi, had constituted an ICC during February 2015, it remained nonfunctional till date (August 2015). Moreover, none of the hospitals test-checked had assessed the rate of Hospital Associated Infections. Besides, we observed that except for Lady Goschen Hospital, Mangaluru, none of the other hospitals had provided training to the staff associated with infection control.

The Government replied (November 2015) that a manual on Hospital Infection Control (HIC) Committee has been prepared and the activities of HIC are covered under the Kayakalp Programme.

**Recommendation-5:** Training to staff in respect of Hospital Infection Control should be extended to all hospitals.

**(e) Sewage/Effluent Treatment Plant**

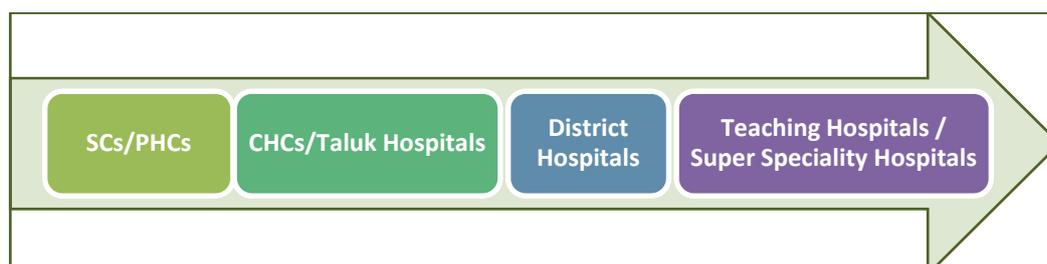
Sewage Treatment Plant (STP) is essential to manage the amount of sewerage generated in a hospital so that it does not pollute the neighbouring areas of the hospital. In the hospitals test-checked we observed the following:

- In DH, Kalaburagi we observed that though it had STP, no provision was made for its upkeep and operation.
- In Cheluvamba hospital, Mysuru, we observed the STP was under repair, consequently, the sewage waste was let out in an open drain.
- We also observed the same in GH, Shikaripura and GH, Gokak, which did not have STP.

**2.1.10 Referral Services**

One of the health policy goals envisaged was to establish a credible and sustainable referral system. The State Government, however, had not developed any policy regarding a system of referrals even after a decade since adopting the State Health Policy. The State has a three tier system of public health care—Primary Health Care (SCs, PHCs), Secondary Health Care (CHCs, GHs, DHs), and Tertiary Health Care (Teaching Hospitals, Super Speciality Hospitals) and the system of referrals should be as indicated in **Chart-2.7** considering the fact that the majority of the patients who visit the Government hospitals are either poor or economically weaker.

**Chart-2.7: Ideal referral system**



We observed from the scrutiny of the records that the GHs invariably referred the patients only to DHs/Teaching Hospitals. However, a test-check of a few cases of referrals from GHs referred to DHs revealed the following:

- Only four cases out of 15 test-checked cases referred from GH, Aland to DH, Kalaburagi had actually visited the DH.
- 10 out of 24 test-checked cases referred from GH, K.R.Nagar to KR Hospital, Mysuru had actually visited the hospital. Similarly 11 out of 17 test-checked cases referred to Cheluvamba Hospital, Mysuru actually visited the hospital.
- In respect of cases referred from GH, Nanjanagudu to Cheluvamba Hospital, Mysuru, only 12 out of 22 test-checked cases had visited the hospital.
- None of the 29 test-checked cases referred from GH, Nanjanagudu to KR Hospital, Mysuru had visited the hospital as per the records of KR Hospital.
- Only 20 out of 105 test-checked cases referred from GH, Bailahongal to BIMS, Belagavi had actually visited the hospital.

From the above, we noticed that the percentage of referred patients actually visiting the Referral hospital was on the lower side which indicated the patients preferred private hospitals over Government Hospitals.

Further, we also observed that the secondary healthcare institutions were referring patients to other hospitals *viz.*, Government hospitals, private hospitals, Government higher centre or higher centre. However, the reference letters did not indicate the name of the institution to which the patients were being referred to, but only mentioned as ‘referred to higher centre/major hospital’. In the absence of the details of the institution to which the patients were referred to, it was not possible to ascertain whether the patients were provided with healthcare facilities in the Government hospitals.

Similarly in a teaching hospital (BRIMS, Bidar) we observed that the patients were being referred to Government hospitals in Karnataka, as well as Telangana and private hospitals of Karnataka, Telangana and Maharashtra. However, due to non-maintenance of referral details, the number of patients who availed healthcare facilities through Government hospitals could not be ascertained.

Hence, the goal of establishing a credible and sustainable referral system in the State health policy was not achieved.

The Government admitted (November 2015) that due to shortage of specialists and equipment, people preferred private hospitals other than referred Government hospitals.

## 2.1.11 Special Services initiated by GoI/State Government

### 2.1.11.1 Burns Ward

The main purpose of a burns unit in a Hospital is to minimise the incidence of infection among burn patients and to provide comprehensive burn care. Hence, the State Government along with dialysis unit had ordered (October 2008 and September 2009) the establishment of 12 burns wards and had also created 10 posts for the burns ward in each hospital.

We observed that except for DH, Vijayapura, none of the other hospitals test-checked had dedicated staff for burns ward. The details of the number of beds in the burns wards, exclusive manpower available and number of patients admitted, discharged and died in the sanctioned hospitals are indicated in **Appendix-2.4**<sup>35</sup>.

The observations of the joint inspections of the burns ward in the hospitals test-checked are detailed below:

- Victoria Hospital, Bengaluru – There were 50 beds in the burns ward of the hospital located in a separate building. The hospital had a separate Burns OT. The Head of the Department (HoD) stated that the Staff Nurses working in the burns ward were not trained to handle the ventilator provided in the ward. He also stated that in the absence of a dedicated Medical Officer to attend to Medico Legal Cases, regular surgeons were over burdened to that extent.
- KIMS, Hubballi - No separate burns ward existed in the hospital though it was a tertiary care centre. Temporary arrangements, however, were being made for patients with burns, by accommodating them in General Surgery wards or the Ortho ward. The HoD stated that dedicated manpower was essential for taking care of these burns patients. We further observed that the construction of the burns ward taken up by the Institution during October 2011 at a tendered cost of ₹3.79 crore was still under progress.
- KR Hospital, Mysuru - Burns ward had five bedded ICU facility. Burns OT, however, available at the first floor of the Burns ward was not utilised since 10 years. Further, Boyle's Apparatus available in Burns OT was also kept Idle.
- DH, Karwar - As on the date of inspection, there were no patients in the burns ward. The District Surgeon stated that the burns ward was not functioning effectively in the absence of a Plastic Surgeon. He further stated that patients with only minor burns were being attended to by the General Surgeons and all other burn cases were being referred to other hospitals.

**Recommendation-6:** For effective functioning of the burns wards, Government should ensure availability of qualified and dedicated staff for these wards.

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<sup>35</sup> Apart from 12 hospitals where Government order has been issued, teaching hospitals have been test-checked where burns wards exist.

### 2.1.11.2 Telemedicine

The Government of Karnataka introduced (2004) a telemedicine programme with the basic intention to make available specialist/super specialist services to rural poor patients at their door step *i.e.*, at DH/GH through satellite connectivity. The programme was implemented in the State in three phases covering 27 hospitals as detailed in **Table-2.3** below:

**Table-2.3: Details of telemedicine programme implemented in the State**

Phase	Number of DHs	No. of GHs	Total
I (2004)	07*	3	10
II (2008-09)	12	2	14
III (2014-15)	03	0	03
<b>Total</b>	<b>22</b>	<b>5</b>	<b>27</b>

\*Two DHs, Belagavi and Mandya have been converted into Teaching Hospitals  
(Source: Details provided by the Commissionerate Office)

The programme was initially started under ISRO Telemedicine programme through V-SAT connectivity and on its connectivity failure (September 2010) it was re-operationalised through KEONICS (KSWAN connectivity) during November 2014.

For effective implementation and monitoring of the telemedicine system, a Karnataka Telemedicine Trust was formed in April 2006. However, we observed that the trust was yet to be established physically (August 2015). Scrutiny of the files/statement of expenditure made available to audit revealed that an amount of ₹163.77 lakh including interest continue to remain invested in Fixed Deposits since 2009-10 out of an amount of ₹331.70 lakh released by the State Government for the programme during the period 2008-09 to 2014-15. We also observed that an amount of ₹1.25 crore was paid to KEONICS for purchase of equipment. The management of Telemedicine system was dependent on data available in Server, maintained by KEONICS.

The Principal Secretary, observing the poor utilisation of the telemedicine facility, issued (September 2014) certain instructions which were yet to be complied with by the Department. The Department had set a monthly target of 200 tele-consultations for each telemedicine centre. From the data of the number of telemedicine patients treated each month, we observed that as at the end of March 2015, the telemedicine programme was functioning effectively in eight hospitals, partly effective in four hospitals and not effective in 14 hospitals.

The Government replied (November 2015) that action would be taken to improve the functioning of the telemedicine programme by fixing targets, conducting video conferences and motivating the serving doctors.

### 2.1.11.3 Trauma Care

An accepted strategy of Trauma care is basic life support, first aid and replacement of fluids that could be arranged within first hour of the injury. In this regard, the Ministry of Health and Family Welfare, GoI initiated the first definitive step towards building an inclusive Trauma Care System across the

country by launching a scheme Developing Trauma Care Centres (TCCs) in GHs in and around National and State highways. In the State, eight<sup>36</sup> hospitals (which covered three hospitals test-checked) were selected for upgradation of TCCs for which GoI released (between 2008 and 2011) an amount of ₹19.38 crore against ₹48.10 crore sanctioned.

On scrutiny of records, we observed that seven out of the eight TCCs were not fully operational as on August 2015 on account of non-completion of civil works or non-procurement of equipment or required man power not put in place.

- The scheme had envisaged renovation of the existing hospital building for Trauma Care. Audit observed that an expenditure of ₹32.83 lakh was spent in GH, Sira on repair and renovation of hospital building instead of on TCC.

The Government replied (November 2015) that the amount was utilised based on the decision of Arogya Raksha Samithi and permission of the Department of HFW. The reply, however, is not acceptable, as the GoI guidelines specifically states that the grants should be utilised only towards construction of TCC.

- The DH Chitradurga utilised ₹80 lakh towards construction of a TCC in 2010-11. However the constructed TCC was utilised as an orthopaedic ward and OT.
- Audit scrutiny revealed that the equipment purchased was not installed in the TCCs as the same were not constructed as per norms stipulated by GoI. As such, equipment were being used in ICUs and OTs. The Government replied that due to lack of space in the TCC, some of the equipment was being utilised in ICU and OT. The reply is not acceptable since the TCCs are constructed as per the norms stipulated by GoI wherein space for all equipment is taken into consideration for placing the equipment procured for TCCs.
- GoI had released ₹two lakh for each TCC for establishing communication linkage between mobile units, highway location and designated TCCs. We observed that in six<sup>37</sup> out of eight hospitals, the required communication linkages had not been established.
- As per the scheme guidelines, GoI had to meet the expenditure on manpower of TCCs during the first five years of its existence. Accordingly, GoI had released ₹3.62 crore during 2010-13. Though the State Government had to finalise the required manpower within the stipulated period of 30 days from the date of sanction of the grant, it took action in respect of five TCCs only in July 2012. In respect of three TCCs, though GoI sanction was received in 2008, the State Government was yet to sanction staff. In BIMS, Belagavi due to non-sanction of posts by the State, no staff was exclusively posted to the TCC. Further, we observed that six out of eight hospitals did not have a General Surgeon (trained in Neuro Surgery), three hospitals did not have an Orthopedic Surgeon, four

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<sup>36</sup> KIMS-Hubballi, DH-Chitradurga, BIMS-Belagavi, DH-Chikkaballapur, DH-Davanagere, DH-Haveri, DH-Tumakuru and GH-Sira

<sup>37</sup> KIMS-Hubballi, DH-Chitradurga, BIMS-Belagavi, DH-Chikkaballapur, DH-Davanagere and DH-Tumakuru

hospitals did not have an Anesthetist, seven hospitals did not have a Casualty Medical Officer, three hospitals did not have staff nurse, five hospitals did not have OT technicians, and five hospitals did not have Radiographers. Besides, we observed that none of the eight hospitals had deployed staff nurses who had undergone one year programme of trauma care. The details of staff sanctioned are detailed in **Appendix-2.5**.

Thus, Government's failure in planning, sanction of manpower and monitoring not only resulted in under utilisation of the grants released, but also non-compliance to stipulations under the scheme guidelines. This resulted in non-release of balance grant of ₹28.72 crore and also non-achievement of the objective of the scheme.

**Recommendation-7:** Government needs to fully operationalise the already launched TCCs by completing civil works, procuring necessary equipment and providing the required manpower.

### 2.1.12 Super Speciality Hospitals

The Super Speciality Hospitals form part of tertiary health care services and provide specialisation services in a particular field *viz.*, cardiology, nephro-urology, ophthalmology, orthopedic *etc.* Audit test-checked the Institute of Nephro-Urology and Pradhan Mantri Swastha Suraksha Yojana Super Speciality Hospital in Bengaluru and the audit observations are discussed in the following paragraphs.

#### 2.1.12.1 Institute of Nephro-Urology

The Institute of Nephro-Urology an exclusive autonomous institute located in the campus of Victoria Hospital, Bengaluru, provides health care services in the field of nephrology and urology. The Institute was established with the objective of providing relief from Nephro-Urology diseases; providing advanced treatment and comprehensive care to Nephro-Urology patients; promoting, supporting and encouraging study, research and training programmes relating to prevention, diagnosis and treatment in the field of Nephro-Urology diseases and providing treatment for the diseases related to Kidney Failure & Renal Transplant.

The audit observations on the functioning of the institute are discussed below:

- The institute which had procured (September 2012) 25 Haemodialysis Machines at a total cost of ₹1.64 crore had installed 19 units during September – November 2012. Balance six machines were not installed due to non-availability of space.
- Presently, around 200 tests were being carried out by the Institute's Biochemistry/Microbiology section. It used Open Channel system of testing, wherein the turnaround time<sup>38</sup> is usually 2-3 days. In order to reduce the turnaround time and for timely submission of reports to the patients, the department needed a Fully Automatic "Chemiluminescence" Analyser.

<sup>38</sup> Turnaround time is the total time taken between the submission of a programme/process for execution (sample collection) and the return of the complete output to the customer/user (delivery of reports).

In compliance with the observations of the joint inspection, the Institute stated (August 2015) that the remaining Haemodialysis units have now been installed, process for purchase of ChemiluminescenceAnalyser has been initiated.

#### **2.1.12.2 Pradhana Mantri Swastha Suraksha Yojana Super Speciality Hospital**

The State has a Government Super Speciality Hospital established (2012) under the Pradhana Mantri Swastha Suraksha Yojana. The Hospital has speciality services viz., Neurology, Neurosurgery, Plastic Surgery, Cardiology, Pediatric Surgery, Anaesthesia, Surgical Gastroenterology & Liver Transplant to cater to the needs of the patients and reduce the burden on National Institute of Mental Health and Neuro Sciences (NIMHANS) and Jayadeva Institute of Cardiology and Cardiovascular Sciences.

Audit observed that patients were not being referred to this hospital by other Government hospitals as the hospital is working to about 56 *per cent* of occupancy during 2014-15. In this regard, Government replied (November 2015) that action would be taken to conduct awareness camps and issue Government circulars.

**Recommendation-8:** Government needs to create awareness among public about the Pradhana Mantri Swastha Suraksha Yojana in order to provide quality healthcare to the common people.

#### **2.1.13 Conclusion**

The Health care services suffered in Karnataka due to inadequacy of requisite health, human resources and infrastructure. Super speciality services, where provided, had state-of-the-art equipment, highly qualified professionals and maintained a very high quality of services. The taluk level hospitals, however, were unable to deliver quality services as envisaged due to various reasons.

Seventy five *per cent* of the hospitals had less sanctioned strength than those prescribed under IPHS guidelines with regard to specialists, staff nurses and laboratory technicians which hampered healthcare services in terms of patient care as well as availability of services. In many hospitals, available equipment remained unutilised due to shortage of technical manpower. Most of the clinical laboratories in the hospitals were not fully equipped and in many instances, the existing equipment was not in working condition, thereby depriving patients of quality laboratory facilities. Patients had to depend on private blood banks for obtaining blood due to non-working of its blood banks. All the 28 hospitals test-checked did not follow required zoning as per IPHS guidelines, thereby affecting its efficacy with regard to cleanliness and controlling of infections.

The Special Services initiated by the State/GoI viz., establishment of Burns Ward and Trauma Care Centres did not take off as envisaged.

## Department of Higher Education

### 2.2 Engineering Education in Karnataka

#### Executive summary

Engineering Education in the State is available in 216 Engineering Colleges affiliated to Visvesvaraya Technological University (VTU)/Bangalore University which included National Institute of Technology, Suratkal and colleges under deemed universities. It is under the administrative control of the Department of Higher Education and a range of other organisations also play a role in engineering education. A performance audit of 'Engineering Education in Karnataka' during 2010-15 showed the following:

- Majority of engineering colleges opened in the State were mainly concentrated in Bengaluru which led to regional disparity and there was no engineering college in Koppal district though approved by Government in 2011. Thus, expansion of engineering colleges continued without addressing the issues of regional imbalance.
- There was a declining trend in the enrolment of SC/ST students, differently-abled students, students from kannada medium and rural area to the engineering stream.
- Affiliation procedure was not completed prior to the commencement of admission of students to the college seeking affiliation, which ranged between 26 and 155 colleges during the period 2011-15.
- Since permanent affiliation was not mandatory, only 48 out of 162 colleges had permanent affiliation for their courses.
- Recommendations of VTU with respect to intake capacity were overruled by Government, resulting in large scale vacant seats which rendered the affiliation process a mere formality.
- Though accreditation was mandatory, VTU as well as many of its affiliated colleges were yet to secure accreditation from National Assessment and Accreditation Council as well as National Board of Accreditation. This indicated that the quality of education being imparted by VTU as well as engineering colleges was not of requisite standards required for the above accreditations.
- Marks were changed in over 90 *per cent* of answer papers for which re-evaluation was sought, which was indicative of poor quality of evaluation.
- VTU did not ensure continuous support to e-Vidya, EDUSAT in the e-learning projects initiated by it which rendered the projects unproductive.
- VTU had failed to ensure minimum standards prescribed by AICTE in respect of colleges affiliated to it as the colleges had deficiencies in teaching faculty, library, laboratory facilities, *etc.*, which indicated poor monitoring by the VTU.
- VTU had failed to receive recognition from UGC even after 17 years of its existence as it had not met minimum standards required for recognition. Hence, it did not act as a good role model for the institutions affiliated to it.

### 2.2.1 Introduction

Higher education is crucial for the economic and social development of any State and is a concurrent responsibility of the Central and the State Governments. The Technical Education sector in the State is governed by the policies of the State Government as well as the All India Council of Technical Education (AICTE).

Engineering Education in the State is available in the colleges that are affiliated to the Visvesvaraya Technological University (VTU), University Visvesvaraya College of Engineering (UVCE) of Bangalore University and the National Institute of Technology, Karnataka (NITK) Suratkal. It is co-financed by the Central as well as the State Government. As of 2015, Karnataka has a total of 216<sup>39</sup> Engineering Colleges which includes 11 Government colleges, 12 Government aided private colleges, 177 un-aided private colleges and 14 deemed colleges. Apart from the Central and State Government, a range of other organisations play a role in engineering education as shown in **Appendix-2.6**.

### 2.2.2 Organisational setup

Engineering education is under the administrative jurisdiction of the Department of Higher Education headed by the Principal Secretary. The Universities of Technical Education function in accordance with the acts and statutes framed thereunder. Directorate of Technical Education assists the Department of Higher Education with regard to the management of government colleges and the regulation of grant-in-aid to the private aided engineering colleges. The Project Director, State Project Facilitation Unit, assists the State Government in the implementation of the World Bank aided Technology Education Quality Improvement Project (TEQIP). The Karnataka Examination Authority (KEA) is responsible for conducting the examinations for the enrolment of students to the engineering institutions.

### 2.2.3 Audit objectives

This Performance Audit was conducted with the objective of

- Assessing the extent to which government achieved the goals of expansion, equitable participation and excellence in engineering education.
- Assessing the adequacy of infrastructure for teaching and learning in engineering institutions and their bearing on student progression and achievement.

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<sup>39</sup> Includes one NITK, Suratkal and one engineering college under Bengaluru University – UVCE and six colleges providing only post graduation courses.

### 2.2.4 Audit criteria

The criteria for this performance audit were based on the following sources:

- VTU Act, 1994, and Statutes /Regulations issued from time to time
- AICTE Approval Process Handbook
- VTU Vision 2020 document
- UGC Regulations
- Second Expenditure Reforms Commission Report of Karnataka

### 2.2.5 Audit scope and methodology

The performance audit covered engineering colleges coming under VTU and UVCE, Bengaluru. The audit commenced with an Entry Conference held on 23 April 2015 with the Principal Secretary, Higher Education Department. Audit was conducted during March 2015 to August 2015, covering the period 2010-15 through a test-check of records of the Higher Education Secretariat and VTU and an analysis of data in respect of two government colleges, two aided colleges and 29 unaided colleges. We selected the colleges on the basis of simple random sampling covering two revenue divisions, viz., Bengaluru and Kalaburagi for detailed examination. Additionally, five colleges having the highest admissions and five colleges having the lowest admission were also examined (**Appendix-2.7**).

Audit findings were discussed with the Principal Secretary, Higher Education, in an Exit Conference held on 18 November 2015.

### Audit findings

#### 2.2.6 Planning for expansion, equitable participation and excellence in engineering education

In order to promote planned and sustainable development of technical education, consistent with the state and national policies, VTU was established (1998) by the Government of Karnataka. The mission statement of VTU included encouraging engineering and technical education among women and the differently-abled and introducing new programmes in engineering areas consistent with the needs of the industry and society. Further, the Higher Education Vision 2020 document has identified certain focus areas which include establishment of Institutes of Higher Education, especially in rural and backward areas. In addition to the above objective and vision, the principal objectives, goals and strategies of the University Grants Commission (UGC) during the 12<sup>th</sup> Five year plan include providing equal opportunities for quality higher education, correcting regional, sectoral and social imbalances, and achieving international benchmarks of excellence and extending the frontiers of knowledge.

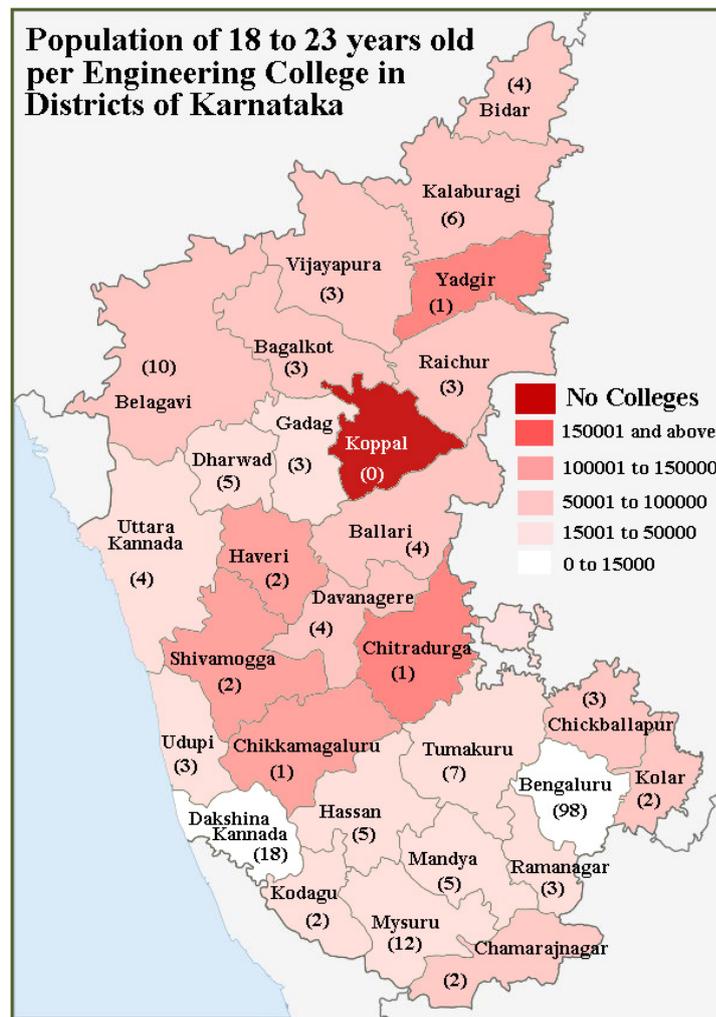
### 2.2.6.1 Expansion of Engineering Education

#### (a) Expansion leading to regional imbalances

The challenge of keeping pace with the ever growing number of students and the demand for higher education results in the expansion of intake capacity and new institutions. The expansion is not just about making room for ever-higher numbers; it is also about directing these numbers in the right stream and sectors. Much of this expansion should also cover marginalised sections of society, backward regions and villages. This would mean that the creation of new institutions should also be focused in regions and districts where student enrolment and institutional density is low.

We observed that though there has been three fold expansion since 1998, the State Government did not have a documented strategy for facilitating orderly and equitable expansion of engineering education. We also observed that VTU did not have an institutional mechanism to analyse regional demand as well as requirements of various sectors of the economy. The density of population of 18 to 23 years old per college in each district of the State is shown in **Chart-2.8**.

**Chart-2.8: Density of population per college**



From the chart we observed that out of the 30 districts, while one district (Koppal) with 1.92 lakh population (of 18 to 23 years old) did not have any college for engineering education, seven<sup>40</sup> districts with population less than that of Koppal had colleges in the range of two to five per district. In two districts (Bengaluru and Dakshina Kannada), we, however, observed that the density of population of 18 to 23 year old per college was less than 15,000. This indicated that the State Government concentrated expansion in few districts only.

To address the regional imbalance, the Expenditure Reforms Commission in its second report (February 2011) had also recommended that new private technical colleges that can provide for adequate faculty and infrastructure could be permitted, with required clearance from AICTE, particularly in districts where there were no or very few colleges for technical education. We, however, observed that during 2010-11, 78 *per cent* of the institutions having 79 *per cent* of the total undergraduate (UG) intake capacity were established in Bengaluru and Mysuru region. These regions continued to add more number of colleges in comparison to the Belagavi and Kalaburagi regions during 2010-15.

In four colleges test-checked on the basis of lowest percentage for admissions (established after 2010), we observed that the vacant seats ranged between 50 and 92 *per cent*. This indicated that the colleges were established in these regions without adequate demand.

The Government replied (December 2015) that the expansion of colleges in Bengaluru and Mysuru regions was on account of the Trusts/Societies preferring to establish new engineering colleges in already developed regions, students preferring to enroll themselves in these regions, majority of industries were located around Bengaluru and Mysuru and hence increase in opportunity of placements. The reply, however, is not acceptable despite the reasons given, there were substantial vacancies in the new colleges established in Bengaluru and Mysuru. In the absence of any policy/guidelines issued by the State Government was not able to control the mushrooming of majority of such colleges at Bengaluru and Mysuru only.

**Recommendation-1:** In accordance with the recommendations of the Expenditure Reforms Commission, the Government may consider giving permission for opening of new engineering colleges after due consideration to the requirements of deficit regions/districts.

**(b) Engineering colleges yet to be established**

The Government approved (November 2011) the establishment of two engineering colleges - one for Koppal district which did not have any engineering college, and one for Chikkamagalur district which had one engineering college. These districts had high demand from the year 2012-13 and 2013-14 respectively. However, we observed that as of July 2015, the colleges were yet to be established. The Government replied (December 2015)

<sup>40</sup> Chamrajanagar (1.19 lakh), Chikkaballapur (1.58 lakh), Gadag (1.36 lakh), Kodagu (0.58 lakh), Ramanagara (1.28 lakh), Udupi (1.25 lakh) and Uttara Kannada (1.58 lakh)

that due to paucity of funds, the work was yet to commence. Since the government itself had approved the establishment of these two colleges in 2011, adequate provision of funds should have been made.

**(c) Seats remaining vacant on the increasing trend**

Data on students who had passed out of Pre-University in the science stream in Karnataka, and had selected engineering is provided in **Table-2.4**. The intake capacity of engineering colleges and the vacant seats (all through CET) during 2010-14 is also depicted in **Table-2.4**.

**Table-2.4: Data on students passed in PUC Science, intake capacity and vacant seats in engineering colleges during 2010-14**

	2010-11	2011-12	2012-13	2013-14
Students passed in PUC science	94,097	1,06,915	1,25,288	1,28,387
Students who selected engineering through CET ( <i>per cent</i> )	40,378 (43)	42,690 (40)	47,922 (38)	49,886 (39)
Intake capacity of engineering college	54,937	57,769	62,764	65,679
Vacant CET seats in engineering colleges	14,559	15,079	14,842	15,793

(Source: Information furnished by the Pre-university Board & VTU)

From the table, it is clear that there was an overall decreasing trend in percentage terms of the number of students opting for technical education through CET<sup>41</sup>. It was further observed that though the students opting for engineering was less than 50,000 in any of the years during 2010-14, increasing intake capacity of engineering colleges/establishing more engineering colleges than required resulted in seats remaining vacant in 63 to 81 *per cent* of colleges during 2010-14.

Further analysis of the above data, division-wise, for the year 2014-15 (**Appendix-2.8**) revealed that the demand in Belagavi and Kalaburagi divisions did not match with the Government's intake capacity.

This indicates that there are no clear parameters put in place by the State Government for opening of new colleges. Thus, due to lack of any control mechanism with the Government, there has been unbridled expansion of colleges in Bengaluru and Mysuru resulting in many seats remaining vacant. Similarly, due to lack of active role by the Government, the existing colleges in Belagavi and Kalaburagi divisions could not meet the growing demand for engineering education. The Government replied (December 2015) that due to relaxation in policy of AICTE with regard to ceiling on intake capacity, many colleges applied for increase in its intake, which resulted in creation of vacant seats. The reply, however, is not acceptable as the VTU was responsible for recommending the number of students for intake and the Government was the final authority for approving the same. Hence, increase in intake without actual demand created more vacancies. Thus, the State Government failed to perform its assigned task in this regard.

<sup>41</sup> The intake capacity and actual admission in the performance audit confines only to the CET admission process. In the State, admission to Engineering is mainly through three methods *viz.*, Common Entrance Test (CET) only for students of Karnataka, where the Government reserves 100 *per cent* seat in Government colleges, 95 *per cent* seats in Government aided colleges and 45 *per cent* in private colleges; COMED-K conducted by consortium of private colleges for students from all over the country and lastly through management quota.

**(d) Expansion without adequate analysis of needs of industry/society**

The objective and vision of VTU included supply of manpower of appropriate kind and quality to meet the needs of society as well as national development plans and to contribute to the smooth and effective transfer of technology to the agencies that require them in the community.

Further, the report of the Karnataka Manufacturing Taskforce formed by the Government to study the manufacturing sector in Karnataka suggested (November 2013) interventions to drive growth in the sector in a sustainable and holistic manner. It highlighted defence, aerospace, textile and garments, food processing, biotech and pharmaceuticals, automotive and engineering, machine tools *etc.*, as some of the emerging areas.

We, however, observed that though the State already had courses in some of the areas such as textile and garments, biotech, aerospace *etc.*, it required to create more awareness of the availability of these courses. Also, we observed that VTU did not have any institutional mechanism to analyse the requirements of various sectors of the economy and was yet to determine the gaps in supply of manpower in the above mentioned emerging areas.

The Government replied (December 2015) that VTU had sent circular to all the engineering colleges to conduct survey and study the requirement of the society and suggest new courses to be introduced. The reply is not acceptable as the decision to introduce new courses was the responsibility of both VTU and the Government and not of individual colleges.

**Recommendation-2:** VTU may consider setting up an institutional mechanism to analyse requirements of various sectors of the economy to address the needs of industry and society.

**2.2.6.2 Equitable participation**

The mission statement of VTU included encouraging engineering and technical education among women and the physically impaired. Further, in order to achieve the goals of equity and inclusion, during the 12<sup>th</sup> five year plan, the UGC also envisaged building of capacity and improvement of infrastructure to attract and facilitate the retention of students from rural and backward areas as well as women and the differently-abled. It also envisaged pro-active measures such as proper implementation of the reservation policy for students belonging to SC/ST/OBC and the disadvantaged and increasing the incentives offered to differently-abled students as well as those from the marginalised sections so that they can participate in higher education.

Data of KEA regarding intake capacity and actual intake for the years 2010-15 is given in **Table-2.5**.

**Table-2.5: Intake capacity and actual intake of engineering seats with regard to SC/ST/differently-abled, women etc.**

Year	Intake capacity					Admissions					
	SC	ST	Differently abled	Kannada Medium	Rural Area	SC	ST	Differently abled	Kannada Medium	Rural Area	Women
2010-11	6,039	1,213	120	2,035	6,085	3,888	1,015	117	1,508	4,403	NA
2011-12	5,976	1,190	73	2,047	6,111	3,459	874	72	1,333	3,895	NA
2012-13	6,306	1,256	1,319	2,114	6,303	3,848	871	63	1,401	4,107	17,795
2013-14	6,681	1,336	1,395	2,256	6,680	3,969	804	57	1,338	3,868	20,130
2014-15	6,122	1,218	1,465	2,062	6,125	3,841	756	56	1,201	3,444	23,167

(Source: Information furnished by Karnataka Examination Authority)

From the above table it may be seen that though the participation of women in technical education had increased moderately, there was stagnancy/decline in the admission of SC/ST during 2010-15. It was also observed that the admission of students who were differently-abled, had studied in Kannada medium, and who were from rural areas, showed a declining trend.

Though UGC had envisaged providing appropriate infrastructure and other support facilities, such as development of suitable technologies and textual material for differently-abled students, we observed that the State Government had not made adequate efforts in this regard. In addition, UGC in XII Plan Guidelines for its developmental assistance has allocated separate grants for schemes meant for equal opportunities, viz., Equal Opportunity Cell, Remedial coaching for SC/ST/OBC/Other Minorities, Schemes for Persons with Disabilities etc., for the Universities/Institutions recognised by them. The VTU as well as its affiliated institutions are not eligible for the said grants since they are not recognised by UGC. Further, any additional efforts made towards providing equitable participation were not evident from the records of VTU as well as Government.

The Government replied (December 2015) that in line with the UGC guidelines, the VTU had established a cell during 2014-15 in the University not only to look into the implementation of reservation policy at VTU but also to undertake all possible measures to increase enrolment of SC/ST students in engineering stream. However, since there was a declining trend not only in enrolment of SC/ST, but also in differently-abled students, students from Kannada medium and also from rural area, action in these area was also required.

**Recommendation-3:** Government needs to address the declining trend in admissions of students from SC/ST category, differently-abled students, students from Kannada medium and also from rural area through a policy intervention.

### 2.2.6.3 Excellence in Engineering Education

Increased access to higher education is not sufficient unless quality education is provided. In order to provide quality education, the standard of the colleges needs to be increased. In this regard, the measures taken by the State Government and the audit observations are mentioned below.

**(a) Affiliation of colleges**

The affiliation process offers an opportunity for VTU to evaluate and monitor the institutions. An institute proposing to offer technical education has to first seek affiliation from the university before starting academic activities. In the first instance, the programmes under the newly established institutions are given temporary affiliations on an annual basis. On completion of five years, these institutions become eligible for permanent affiliation, which is granted for a period of six years at a time. Further, VTU has to ensure mandatory accreditation of the technical colleges by National Assessment and Accreditation Council (NAAC) and their programmes by National Board of Accreditation (NBA) as per relevant regulations of UGC as amended from time to time. On scrutiny of the data, we observed as under:

- **Delay in completion of the temporary affiliation process**

The process for affiliation of institutes to VTU involves various procedures which are required to be completed prior to the commencement of the admission process every year. The procedures involve:

- colleges applying for affiliation submitting their application to VTU.
- appointing Local Inquiry Committee (LIC) by the Executive council for making inquiry and recording the results of such inquiry.
- submission of application along with proceedings of the Academic Senate and the Executive Council to the State Government by the Registrar.
- State Government recommending for the grant of the affiliation based on such inquiry as may appear to be necessary.
- issue of affiliation orders by VTU based on the recommendations of the State Government.

Though the entire affiliation process is time bound, we observed that during 2011-15, VTU had not completed the affiliation procedure prior to the commencement of the admission of students to the college seeking affiliation. We also observed that inspite of the local inspection team pointing out non-compliance to the AICTE norms by the colleges who had applied for affiliation with regard to infrastructure, teaching, learning facilities *etc.*, every year, the admission process was completed even before the colleges complied with the observations and received affiliation. The number of colleges which received affiliation after commencement of the academic year is given in **Table-2.6** below:

**Table-2.6: Number of colleges where admissions took place prior to affiliation**

Year	Number of colleges	Delay in receipt of affiliation <sup>42</sup>				
		1 month	2-5 months	6 -11 months	1 year	>1 year
2011-12	26	4	7	12	0	3
2012-13	148	71	39	35	1	2
2013-14	155	122	31	2	0	0
2014-15	37	29	6	2	0	0

(Source: Information furnished by VTU)

<sup>42</sup> Delay has been calculated from the re-opening of the academic year i.e., from August onwards.

Due to this delay in affiliation process, it could not be ruled out that the admission of students was done in colleges without affiliation or to courses without affiliation. The Government replied (December 2015) that the VTU had started the process of granting affiliation for the academic year 2016-17 and would complete the process by January 2016. The reply is not acceptable, as Government/VTU has yet to put in place a permanent mechanism for granting temporary affiliation before admissions. Thus, Government/VTU allowed engineering colleges to carry on their activities, though they were not fulfilling minimum benchmarks for their continuation.

- **Recommendations of VTU overruled by the Government**

After noticing deviations from the prescribed norms by the colleges, the Executive Council of VTU had recommended closure of programmes/reduction of intake. We, however, observed that the Government disregarding the recommendations had approved higher intake and also continuation of programmes. Further, it was also observed that before overruling the recommendations of VTU, the Government had not conducted any additional enquiries on its own. During 2010-15, the intake recommended by VTU and the Government is given in **Table-2.7**.

**Table-2.7: Comparison of intake recommended by VTU and State Government during 2010-15**

Year	No. of Colleges	Intake recommended	
		By VTU	By State Government
2010-11	52	1,926	5,218
2011-12	48	2,397	5,458
2012-13	45	1,782	4,546
2013-14	31	1,446	3,384
2014-15	82	5,200	11,856

(Source: Information furnished by VTU)

VTU had recommended a reduction of intake based on the local inspection committee report which reported deficiencies in the colleges, mainly regarding infrastructure and teacher-student ratio. However, the Government took a divergent view without any recorded reasons and increased the intake capacity in spite of the issues with student-teacher ratio and inadequacy of infrastructure, thereby impacting the standard of education. This reduced affiliation to a mere formality rather than a monitoring mechanism for enhancing quality in education. Thus, Government is responsible for large number of engineering seats remaining vacant.

- **Withdrawal of affiliation**

As per VTU Act, the Executive Council of VTU inspects colleges based on the returns/reports submitted to the Registrar by the colleges in order to judge the efficiency of the college/institution. VTU can withdraw or modify the rights conferred on a college as a constituent college of VTU, if any college fails to comply with the provisions made or failed to observe any of the conditions of affiliation.

We, however, observed that though the local inspection committee had observed non-compliance to the prescribed norms during granting of

temporary affiliation in respect of colleges, there was no follow up action by VTU for ensuring the compliance during the course of the academic year. Hence, non-compliance to the norms persisted year after year, resulting in poor quality education in the colleges which were given temporary affiliation. Also, VTU took no action to withdraw affiliation of such colleges except in the case of seven colleges during 2014-15. Also, we observed that there was no criterion fixed for granting/withdrawing of affiliation.

- ***Non-recognition under Section 2(f) and 12(B) of UGC Act, 1956***

In order to ensure base level quality across institutions of higher education, the UGC had mandated universities and colleges to be recognised under Section 2(f) and 12(B) of the UGC Act, 1956, in order to receive development grants. The minimum norms and standards prescribed under the said sections were in the areas of physical facilities, infrastructure, human resources, particularly teachers, and financial viability.

We observed that VTU's request (September 2011) for its inclusion under Section 12(B) of the UGC Act, 1956 was rejected by UGC because VTU did not meet minimum standards under teaching as it had shortage of faculty. Thus, VTU has not been recognised by the UGC even after 17 years of its existence. Hence, VTU was unable to get developmental grant meant to improve its infrastructure and basic facilities in the VTU along with enhancement of quality in education. In addition, it also lost grants to promote equity, which has already been discussed in earlier paragraphs. Thus, the Government needs to address the issue on priority as the VTU as a University is yet to be recognised by UGC even after its existence of 17 years.

Further, we also observed that out of 200 engineering colleges affiliated to VTU, only 14 private colleges were recognised under Section 2(f) and 12(B) of the UGC Act, 1956, which is a matter of concern from the view point of quality education.

From the above, it has been observed that the university as well as its affiliated colleges did not provide the minimum standards as per UGC requirements in respect of infrastructure, human resources, *etc.*, thereby not ensuring quality education and also not qualifying for UGC grants.

- ***Shortfall in permanent affiliation***

UG and post graduate (PG) Programmes at colleges are eligible for permanent affiliation provided they have been temporarily affiliated by the University for a minimum continuous period of five years and have satisfied all additional requirements specified in the VTU Statutes on Permanent Affiliation of colleges, 2011. We, however, observed that out of 162 colleges that were eligible to apply for permanent affiliation, only 48 colleges had permanent affiliation for its courses. Since acquiring permanent affiliation was not made mandatory in the VTU Act, all the affiliated colleges continued to have temporary affiliation for long periods. In addition, the affiliated colleges failed to achieve and impart high standard education.

- ***Permanent affiliation granted without ensuring eligibility***

The VTU statutes on Permanent Affiliation of Colleges, 2011, stipulate various eligibility criteria which include recognition of the colleges under Section 2(f) of UGC Act, 1956, for granting permanent affiliation. Scrutiny of the 48 institutions whose courses were granted permanent affiliation revealed that 32 colleges did not have recognition under Section 2(f) of the UGC Act, 1956. Thus, VTU had granted permanent affiliation without ensuring the eligibility of those colleges, which indicated lapses in the affiliation process. The Government replied (December 2015) that VTU had taken measures to verify the status under 2(f) under UGC Act, 1956 before granting permanent affiliation. The reply is not satisfactory, as Government as well as VTU needs to encourage the engineering colleges to apply for recognition under 2(f) and 12(b) under UGC Act, 1956 as well as for permanent affiliation.

**Recommendation-4:** VTU should have a relook into its practice of granting temporary affiliation for an indefinite period without making it mandatory to get permanent affiliation.

- ***Operation of Extension Centres in affiliated colleges and private companies***

The UGC guidelines on university courses being run by private agencies state that a university can conduct courses through its own department, its constituent colleges or through its affiliated colleges. In addition, the AICTE Act stipulates that institutions should not have a collaborative arrangement with any University for conducting any non-technical/technical course other than those approved by the AICTE. We, however, observed that VTU, disregarding the provisions, was operating eight extension centres and 13 Quality Improvement Programmes Extension Centres through affiliated colleges and seven extension centres in private companies which was irregular. Further, none of the affiliated colleges had obtained approval of the AICTE in this regard.

The Government replied (December 2015) that at present VTU has not started any new extension centres in its affiliated colleges as well as in companies.

- (b) Granting of autonomy***

Academic autonomy refers to the freedom granted by VTU to a college in all aspects of conducting its academic programme for promoting excellence. In this regard, VTU has brought out the VTU Autonomous College Statute, 2006, with the objective of meeting the twenty first century challenges faced by the technical education system in the country.

We observed that as at the end of March 2015, VTU had granted autonomy to its 21 affiliated engineering colleges out of which two<sup>43</sup> have been declared as Deemed Universities. In this regard, we observed the following:

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<sup>43</sup> Sri Siddhartha Institute of Technology, Tumakuru and BVB College of Engineering and Technology, Hubballi

- The UGC guidelines as well as the VTU Statutes on Autonomous Colleges (Amended), 2011, stipulate that the autonomous status should be at the institutional level, covering all programmes offered by the colleges at the time of conferment of autonomous status. We, however, observed that in seven colleges, while autonomy was granted in respect of UG courses, PG courses continued to be non-autonomous, which was not in conformity with the UGC guidelines as well as provisions under the VTU Autonomous College Statute.
- According to the VTU Statutes on Autonomous Colleges (Amended), 2011, the autonomous colleges were to get their programmes accredited by the NBA within a period of two years from the date of conferment or extension of autonomous status. We observed that out of 19 autonomous colleges, 15 colleges with 204 programmes were eligible to obtain NBA accreditation. Out of this, while only 29 programmes in six colleges were NBA accredited as at the end of March 2015, 84 programmes accredited earlier failed to renew their accreditation after expiry and 91 eligible programmes had never secured accreditation (**Appendix-2.9**).
- In order to promote excellence in technical education VTU granted autonomous status to 19 of its affiliated colleges. In order to maintain and improve the standard of education, two external evaluations were to be conducted at the end of the 4<sup>th</sup> and 6<sup>th</sup> year. The later evaluation would determine the continuance or revocation of the autonomous status of the institution. We, however, observed that no external evaluations had been done at the end of the 4<sup>th</sup> year, as required. Further, we observed that though reports of the review conducted (2015) by VTU with respect to these autonomous colleges showed deficiencies in some areas, *viz.*, design of curriculum, learner centric initiatives, examination practices *etc.*, which suggests that none of the colleges granted autonomous status was meeting the high specified standard for autonomous colleges, they were recommended for extension of autonomy. The details of colleges are given in **Appendix-2.10**. Action taken by VTU to enhance the level of performance of these autonomous colleges was not forthcoming from the records.

The Government replied (December 2015) that VTU would take all possible measures to implement the UGC guidelines while granting autonomous status to its affiliated colleges. It further replied that VTU would instruct all autonomous colleges to renew their NBA accreditation and also enhance their level of performance. The reply is not acceptable, as VTU in addition to issuing instructions, had to ensure that its statutes were implemented by the colleges affiliated in order to monitor the performance level of the autonomous colleges.

### **(c) Accreditation of courses**

Accreditation is a process of quality assurance whereby an institution or course in an institution is critically appraised to verify whether they continue to meet or exceed the norms and standards prescribed. There are two central bodies empowered to grant accreditation *viz.*, NAAC and NBA in India. While NAAC has been set up by the UGC for institutional accreditation, NBA has

been set up by the AICTE for accreditation of technical programmes. On scrutiny of records, we observed the following:

- NAAC accredits all institutions of higher education and grades them on the basis of their academics, governance, physical facilities and infrastructure. Further, UGC (Mandatory Assessment and Accreditation of Higher Educational Institutions) Regulations, 2012, stipulate that all higher educational institutions which have completed six years of existence obtain accreditation mandatorily by June 2013. We, however, observed that VTU was yet to obtain NAAC accreditation.
- In addition, all higher educational institutions, having a record of at least two batches of students graduated or have been in existence for six years, were eligible to apply for NAAC accreditation *i.e.*, all institutions offering BE/B.Tech and having completed five years and institutions offering ME/M.Tech and having completed three years as of 2013-14 were eligible for NAAC accreditation. We, however, observed that till date, out of 162 institutions eligible for NAAC accreditation, only six institutions had obtained accreditation. This indicated low commitment by these institutions towards quality and excellence.
- NBA operates a two-tier system of accreditation to programmes, *viz.*, Tier-I and Tier-II. While Tier-I accreditation is for the engineering programmes offered by autonomous institutions, Tier-II accreditation is for non-autonomous institutions affiliated to a university. The parameters adopted by NBA for accreditation of programmes are based on initial capabilities, competence, skill *etc.* We, however, observed that VTU had not made any efforts to obtain NBA accreditation for any of its programmes, which indicated lack of commitment towards quality and excellence in delivery of technical education. The accreditation status of its affiliated institutions as at the end of March 2015 is detailed in **Table-2.8** below.

**Table-2.8: Status of NBA accreditation of VTU affiliated institutions**

Type of accreditation	No. of colleges eligible	Total no. of programmes	No. of colleges received accreditation	Total no. of programmes	Percentage of programmes which received accreditation
Tier I	15	298	2	15	5.03
Tier II	162	1,164	8	37	3.18

(Source: Information furnished by VTU & collected from NBA website)

- Further analysis of Tier II accreditation revealed that against 111 eligible institutions for Tier II accreditation during 2010-11, 44 institutions had Tier II accreditation. Though the eligible colleges for accreditation increased steadily and was 162 during 2014-15, the colleges which received accreditation was inversely proportional and decreased to eight in 2014-15, which is brought out in **Table-2.9**. This indicated that the institutes were not according due priority to improvement of their programmes.

**Table-2.9: Status of Tier II accreditation during 2010-15**

Year	No of colleges eligible for accreditation	Total No. of courses	No. of colleges having accreditation	No. of courses	Percentage of courses with accreditation
2010-11	111	761	44	234	30.75
2011-12	115	804	18	76	9.45
2012-13	132	897	9	40	4.46
2013-14	147	1,007	8	40	3.97
2014-15	162	1,164	8	37	3.18

(Source: Information furnished by VTU & collected from NBA website)

The colleges with Tier-II accreditation sharply decreased from 30.75 *per cent* (2010-11) to 3.18 *per cent* (2014-15). This indicates that the colleges could not provide the requisite facilities, *viz.*, infrastructure supporting teaching-learning process like library, laboratories *etc.*, thereby indicating lowering of standards in higher education.

**Recommendation-5:** VTU needs to devise an institutional mechanism to monitor the basic infrastructural facilities at regular intervals and forecast minimum investment needs to upgrade the facilities. This would go a long way in enabling the State to realise its vision for 100 *per cent* NAAC and NBA accreditation for all its engineering colleges by 2020.

The Government replied (December 2015) that the fourth and fifth recommendations would be implemented.

#### 2.2.6.4 *Inadequate student support services*

The purpose of the student support services is to retain and graduate students from diverse and disadvantaged backgrounds at the highest possible rate and to foster an academically focused climate supportive of the success of students.

##### (a) *Graduation completion rate*

The programme for UG engineering courses is for a period of four years and, according to the University rules, the maximum period allowed for completing the course is eight years. The completion rate indicates the performance of the college as well as the support extended by the management to the students. Analysis of seven batches of students who completed the course during 2008-14 revealed the following.

- Out of 3.00 lakh students enrolled (2004-2010) under 24 programmes, only 2.07 lakh students (69 *per cent*) had completed the course within the prescribed course period of four years. We also observed that the percentage of students who completed the course within the period of four years was on an average around 73 *per cent* during 2010-14 as indicated in **Table-2.10**.

**Table-2.10: Data regarding students who completed the course within the prescribed period**

Year in which student enrolled	No. of students enrolled	No. of students completed course within prescribed period of four years	Percentage of students passed
2007-08	40,703	29,267	72
2008-09	44,243	32,773	74
2009-10	44,177	32,689	74
2010-11	50,091	36,061	72

(Source: Information furnished by VTU)

- During 2011-14, the number of students who had passed the course after the prescribed period of four years but within the maximum period of eight years constituted 8 *per cent* of the total students enrolled during that period. Also, only 31 *per cent* of the students who were to complete the course within eight years had completed the course as on 31 March 2015. Detailed information regarding this is given in **Table-2.11** below.

**Table-2.11: Data on students who passed after the prescribed period**

Year in which students enrolled	No. of students passed within				
	prescribed period of four years	>4 years <=5 years	>5 years <= 6 years	>6 years <=7 Years	>7 years <=8 years
2007-08	29,267	4,096	1,645	778	Data being compiled by VTU
2008-09	32,773	3,828	1,426	Data Not Available	Not Applicable
2009-10	32,689	3,395	1	Not Applicable	
2010-11	36,061	Data being compiled by VTU	Not Applicable		

(Source: Information furnished by VTU)

The Government while (December 2015) citing various reasons for students not completing the engineering education in the extended period of eight years, also stated that lack of infrastructure facilities as well as non-availability of qualified faculty in few colleges was the other two main reasons for the same.

- During 2004-08, a total of 26,866 students had enrolled under lateral entry<sup>44</sup>. Out of this, we observed that while only 46 *per cent* of the students had completed the course within the prescribed period of three years, 34 *per cent* of the total students enrolled completed the course within the maximum limit of seven years. Hence, 20 *per cent* of the lateral entry students did not complete the course even within the seven-year period.

Further analysis revealed that the high failure rate among the lateral entry students was in two additional mathematics subjects which were mandatory for them. During 2010-15, we observed that the failure rate in the third semester mathematics subject and fourth semester mathematics subject ranged between 69 to 96 *per cent* and 59 to 83 *per cent* respectively, which indicates that the lateral entry students required additional support in these subjects.

<sup>44</sup>A lateral entry student is one who directly enters into the second year of engineering after completing the diploma or equivalent qualification as recognised by the university in the respective branch.

Further, absenteeism in examination ranged between 24 to 41 *per cent* and 27 to 37 *per cent* in the third and fourth semesters respectively. We observed that out of 55 colleges (which included 43 test-checked), only 30 colleges had the necessary faculty strength in the said subject.

The Government replied (December 2015) that the colleges concerned would be instructed to conduct additional classes in the said subject. Though this would partly address the problem, action to recruit faculty in the said subject was required as only 30 of the 55 colleges had the necessary faculty strength in the said subject.

**Recommendation-6:** Faculty strength in mathematics needs to be increased in order to give additional support to the students enrolled under lateral entry.

**(b) Examination**

The UGC guidelines on student entitlements specify various rights of the students with respect to admission, quality of teaching, fees and financial aid *etc.* The right to quality of teaching and learning includes conducting timely examinations and declaration of results.

In this regard, VTU had entrusted examination related workflows, including delivery of question papers, scanning and indexing of answer sheets, evaluation, tabulation, encoding and decoding answer scripts *etc.*, to a service provider. The service provider had to implement an end-to-end software solution for the said examination management and provide infrastructure<sup>45</sup>, set up examination data centres in all colleges, connect the data centres to the nodal centre, set up digitisation centres *etc.*

In this regard, audit observed the following:

- Preparatory works such as system requirement study, feasibility study, cost benefit analysis *etc.*, were not carried out before inviting tenders.
- A detailed project report as well as cost estimate was not prepared prior to entrustment of the project.
- The complete cost component of the project was fully loaded on a single item of work, namely processing of answer sheets.
- Highly sensitive data such as online examination application, online generation of admission tickets, online submission of internal marks, delivery and printing of question papers, digital scanning of answer sheets, digital valuation, online re-evaluation *etc.*, were being processed by the service provider in an infrastructure environment not accessible to VTU. Hence audit could not ascertain the security of the data processed.
- Ownership of the IT infrastructure provided was not taken over by VTU.
- VTU had not obtained details of software modules implemented, third party software in use, back-up and security infrastructure in place, and acceptance test reports on implementation of project by the service provider.

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<sup>45</sup>Software, hardware, network connectivity, backup and its maintenance

- VTU had not conducted any inspection of the premises where the infrastructure was provided, including the data centres.

Thus, in the absence of acceptance of the project by VTU and due to all the above lapses, the quality of the examination procedure could not be ascertained by audit. The Government replied (December 2015) that from the next examination process, Examination Management System would be shifted to Government sourcing Examination Management.

### (c) Evaluation and Re-evaluation

The Registrar (Evaluation) oversees examinations of all engineering colleges affiliated to VTU through a network of five regional centres<sup>46</sup>. The candidates are permitted to apply for a copy of their answer scripts, re-evaluation and review of re-evaluation on payment of specified fees. The details of answer scripts submitted for re-evaluation by the candidates during 2011-15 and their outcome is detailed in **Table-2.12**.

**Table-2.12: Details of outcome of answer scripts submitted for re-evaluation during 2011-15**

Particulars of answer sheets	Year of Examination							
	2011-12		2012-13		2013-14		2014-15	
	Jan-11	Jul-11	Jan-12	Jul-12	Jan-13	Jul-13	Jan-14	Jul-14
Total number of answer sheets originally evaluated for the examination	1273270	1219104	1362333	1311757	1459330	1393368	1587376	1523161
Number of answer sheets revaluated	146027	141606	142943	151389	153662	162340	181729	218720
Total Number of answer sheets where marks increased on re-evaluation	74097	75053	72777	77347	78334	85714	90875	111916
Number of answer sheets where there was no change in marks on re-valuation	9300	8443	7994	8821	8424	8808	10112	12840
Number of answer-sheets where marks decreased on re-evaluation	62630	58110	62172	65221	66904	67818	80742	93964

From the details, we observed that

- Re-evaluation requests were received in respect of 10-14 *per cent* of papers evaluated. The trend was the same throughout the review period in all the examinations.
- While the percentage of papers where the marks increased upon re-evaluation ranged between 50 to 53 *per cent*, the percentage of papers where the marks decreased upon re-evaluation ranged between 41 to 44 *per cent*. This indicated that over 90 *per cent* of the papers which were re-evaluated had the marks increased/decreased on re-evaluation. Thus, quality of evaluation was not of appropriate standard.
- On an average, 31 *per cent* of the answer sheets applied for re-evaluation and where marks was increased, had passed the examination (originally failed).
- Further, on improvement of marks by more than 15 which results in a student passing the subject, an amount of ₹250 (part of fee for

<sup>46</sup> Belagavi, Bengaluru, Kalaburagi, Mysuru and Mangaluru

re-evaluation) is required to be refunded to the student. We, however, observed that there was a delay in refund of the amount to the students. Scrutiny of details of re-evaluation for the year 2014 revealed that though 13,451 students were eligible for refund, the refund amount, which worked out to ₹44.38 lakh, was yet to be refunded to the students. Also, we observed that VTU had not maintained any data for tracking the disbursement of the refund amount to the students and hence audit could not ascertain the actual undisbursed amount for the review period.

The Government replied (December 2015) that action would be taken to refund the re-evaluation fee immediately.

**(d) Disbursement of scholarship**

The cost of engineering education is recovered mainly through various types of fees from the students. This has a bearing on the issue of equity of access to engineering education, especially for the newly emerging beneficiaries from the economically weaker sections of society. The Government has implemented various schemes for providing financial assistance to students from different categories pursuing engineering education in the State as detailed in **Table-2.13**.

**Table-2.13: Scholarships implemented during 2010-15**

Name of the scholarship scheme	Administered by	Particulars	(₹ in lakh)				
			2010-11	2011-12	2012-13	2013-14	2014-15
Scholarship to SC/ST students	Director of Technical Education	Number of beneficiaries	9,545	1,109	2,979	10,472	5,304
		Amount disbursed	2,299.96	239.97	659.83	3,064.20	1,795.97
Scholarships for the children of defence personnel	Director of Technical Education	Number of beneficiaries	1,877	1702	705	238	246
		Amount disbursed	461.80	470.43	200.90	74.95	78.10

(Source: Information furnished by Directorate of Technical Education)

Timely disbursement of the scholarship amount is important for supporting students in an effective manner. However, it was observed that there was delay in disbursement of over 76 per cent of SC/ST Scholarships and over 59 per cent Defence Scholarships. These delays ranged from one to over four years as shown in **Table-2.14**.

**Table-2.14: Delay in disbursement of scholarships**

Name of the scholarship scheme	Total beneficiaries during 2010-15	Number of beneficiaries who received the scholarships				
		within the academic year	with delay of one year	with delay of two years	with delay of three years	delay of more than four years
Scholarship to SC/ST students	29,409	6,891	7,656	9,903	4,959	0
Defence Scholarships	4,768	1,964	1,320	1,072	305	107

(Source: Information furnished by Directorate of Technical Education)

It was also observed that though the Government had a system of scholarships to financially support students from SC/ST/OBC/Minority category, most of

the scholarships were not disbursed in a timely manner. This resulted in hardships to beneficiaries who did not receive their scholarship in time.

**Recommendation-7:** In order to reduce delay at various levels, Government needs to minimise the levels in transfer of funds as also should explore possibility of transfer of scholarships directly to the beneficiary.

#### 2.2.6.5 *Non-implementation of University Grants Commission (UGC) guidelines*

The UGC, with a view to discouraging the forced retention of students in the higher educational institutions, issued (April 2007) instructions directing higher educational institutions not to retain the original certificates of the students in the colleges. Hence, after verification, the institutions were required to return the original certificates to the students. We, however, observed that in violation of the above instructions, the VTU PG centres and affiliated colleges had retained the original certificates of the students.

Further, though UGC had issued guidelines for prevention of discrimination based on caste, gender, creed, colour, race, religion *etc.* for protecting students from sexual harassment/ragging, we observed that VTU was yet to implement the above guidelines. Also, measures for ensuring prevention of ragging which was to be monitored closely by VTU as well State Government was deficient, as there was no monitoring mechanism put in place to check ragging.

The Government replied (December 2015) that VTU had issued circular to all the college affiliated to return the original certificate on verification. It also stated that a mechanism to monitor sexual harassment/ ragging would be put in force.

#### 2.2.7 Research Activities

Research and development activities constitute critical components of an academic institution. The Vision 2020 document as well as objectives of the VTU Act highlight the importance of research activities in the development of engineering education. Since VTU could not attract any sponsored research funding either from the Central or State Government or industries, it instituted its own 'Research Grants Scheme' out of its own funds in order to harness and nurture research talent available in its affiliated institutions. The expenditure incurred against research activities undertaken during 2010-15 is detailed in **Table-2.15.**

**Table-2.15: Funding towards research activities during 2010-15**

(₹ in crore)

Year	Expenditure incurred	No of projects taken up during the year
2010-11	2.31	70
2011-12	3.33	35
2012-13	2.99	01
2013-14	1.00	00
2014-15	0.03	00

(Source: Information furnished by VTU)

From the table, it is evident that there was decline in expenditure and projects taken up during 2010-15. The other observations in respect of grants allotted are detailed below.

- The research projects were undertaken with probable date of completion ranging from one to four years. We observed that VTU had no mechanism to monitor the progress of projects, and that it had not maintained project-wise data manually or electronically such as name of project, scheduled date of completion, progress of project, actual date of completion, extension of time granted *etc.*
- We also observed that there were no institutional visits by the experts of VTU, no monitors were appointed by the research panel of the VTU for each project, and no half yearly progress report was received for each project as mandated in the guidelines of the scheme.
- Since the projects were reviewed only annually for the release of grants, the projects with slow progress were further delayed due to delay in release of grants. Out of the 21 projects test-checked, we observed that only 10 projects were completed and none of the projects were completed on schedule. The slow progress was attributed to delay in release of funds in many cases.
- The scheme guidelines had provided for release of funds in instalments during the project period. We observed that in respect of 65 projects, after releasing ₹4.12 crore, VTU had not released subsequent instalments. It had also discontinued follow-up on these projects. Thus, the amount already invested was rendered unfruitful.
- The equipment/surplus stores procured during the project period as per the guidelines of the scheme, were the property of VTU. We observed, however, that VTU had not maintained any inventory of equipment procured under the scheme and had also not made any efforts to ascertain its continued productive utilisation. Test-check of nine projects out of 74 completed projects revealed that out of total expenditure of ₹58.67 lakh, ₹41.27 lakh was towards equipment, remaining without any specified purpose.
- Further, we observed that VTU had not maintained any data on the publications of the research, citations received on these publications, *etc.* We also observed that no patents were generated out of the research.

Enhancing research publication, research outputs and patents from all the Universities in the State was set as a target in the Vision 2020 document. We, however, as brought out in the previous paragraph, observed that the research activities of VTU were neither completed nor coordinated.

**Recommendation-8:** VTU may consider increasing funding towards research activities and ensure effective monitoring of progress of projects/research *etc.*, in order to achieve the target of increase of 60 *per cent* in research publications, research outputs and patents.

The Government agreed (December 2015) to implement above recommendations.

## **2.2.8 Information and Communication Technology Activities**

### **2.2.8.1 EDUSAT**

VTU initiated the 'EDUSAT' programme to be implemented in several phases as part of its e-governance initiatives to supplement the conventional mode of education, through satellite based teaching and learning with the technical support of the Indian Space Research Organisation (ISRO) in the initial phases. VTU provided Satellite Interactive Terminals (SIT) to 189 affiliated colleges and 04 VTU Post Graduation Centres for imparting training through EDUSAT.

We, however, observed that out of 83 colleges supplied with EDUSAT terminals by VTU, the terminals in 42 colleges were not functional. We also observed that VTU except for conducting survey (April 2015) of the working status of the hardware provided before entering into an AMC had not conducted evaluation of the EDUSAT Programme by obtaining feedback from the users to assess the effectiveness of the Programme. The usage statistics of the programme were not collected and reviewed by VTU for assessing the level of utilisation from time to time before scaling up the programme to the next phase. As a result, VTU could not ensure the effective utilisation of the project.

VTU replied (September 2015) that a survey has been initiated to assess the condition of the terminals supplied. However, the survey report conducted revealed that 55 colleges were not utilising the facility since its installation, and in most of the colleges, the facility was not in working condition.

### **2.2.8.2 e-Vidya**

The e-Vidya project was initiated (2009-10) by VTU to record and digitise the lectures of subject experts<sup>47</sup> into video format<sup>48</sup> to be deployed on a local high capacity server installed in each college campus. The project also envisaged that VTU would continue to develop videos of various courses and make them available to the affiliated colleges in subsequent years so that the students could access these lectures any time through desktop, laptop, tablet or mobile phones.

In order to implement the project, VTU procured (2009-10) "Sun streaming servers" for 60 affiliated colleges at a cost of ₹2.97 crore. In this regard, we observed the following:

- The procurement was made without calling for any tenders, thus violating the requirements of Karnataka Transparency in Public Procurement Act.
- The servers were supplied to private affiliated colleges and the procurement cost was borne by the University.

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<sup>47</sup> 120 courses developed by the National Programme on Technology Enhanced Learning (NPTEL) and 50 courses developed by VTU.

<sup>48</sup> MP4 format using high speed streaming server managed by content management software.

- There was no formal understanding between VTU and the colleges on the one hand and the supplier on the other hand for implementation, support and problem resolution during the currency of the project. Instead, the procurement conditions for the servers specified that only online support would be provided and on-site support would be charged based on actuals. Thus, implementation and support cost was left undefined.
- VTU unilaterally decided the project infrastructure requirements, procured and supplied them to the affiliated private colleges without deciding how the infrastructure would be maintained by the colleges.
- The affiliated private colleges reported various difficulties such as server shutdowns, lack of technical support, non-availability of passwords *etc.*, while using the infrastructure made available to them.
- National Programme on Technology Enhanced Learning (NPTEL) informed that courses developed by them were available free of cost only to Government institutions and at ₹0.50 lakh to each private institutions. Hence, private institutions were required to enter into an agreement with NPTEL for the use of the courses developed by them. We, however, observed that VTU did not have any arrangement with the NPTEL regarding making available of videos to affiliated private colleges.
- There was no formal agreement with regard to updation of content of the videos supplied during 2009-10.
- The Vice chancellor of VTU, while discontinuing the project in September 2010, ordered the e-learning center of VTU to submit a report on the utilisation of the servers. We, however, observed that no such data on utilisation of servers was collected from the affiliated colleges. It was observed that the project remained discontinued as on September 2015.

Thus, VTU, by not facilitating technical support, or assessing the continued relevance of videos supplied during 2009-10 in view of revision of curriculum, and by not ensuring proper maintenance and effective utilisation of the servers rendered the investment of ₹2.97 crore on the project unproductive. We, however, observed that as of September 2015, 41 of the 60 servers supplied were not working, and hence the objective of enhancing/supplementing level of education through technology was not achieved.

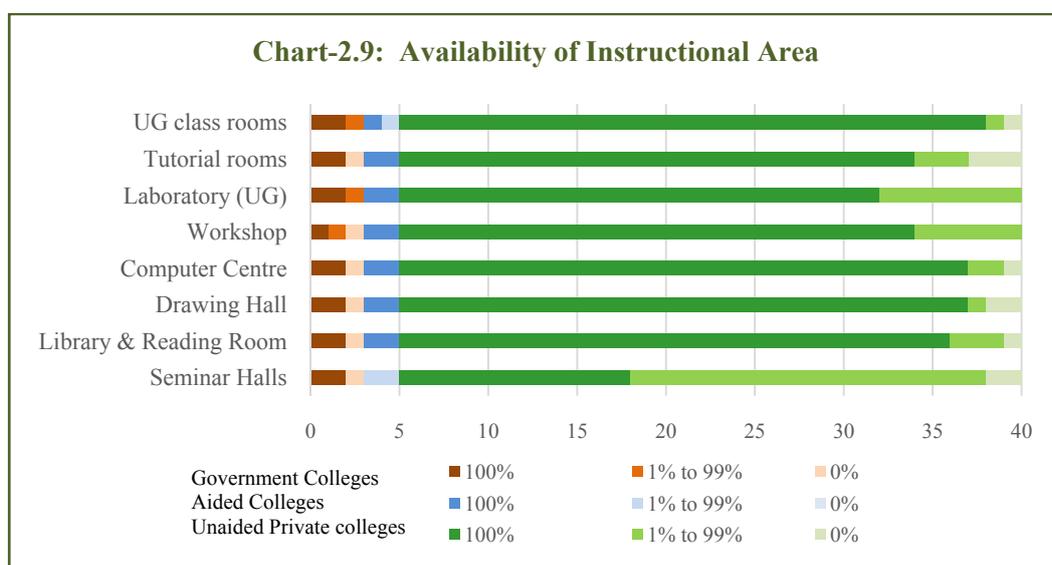
**Recommendation-9:** VTU needs to arrange for an AMC and on-site support for all the colleges where EDUSAT/e-Vidya has been implemented. It also needs to institute an automated system for obtaining feedback with regard to utilisation of both EDUSAT and e-Vidya which would in turn help in evaluating the effectiveness of the programmes. It further needs to make arrangement for updation of content of programmes supplied in line with updation of syllabus of the VTU.

The Government agreed (December 2015) to implement above recommendation.

### 2.2.9 Teaching and Learning Infrastructure

AICTE is a national level apex advisory body with the mission of developing and promoting quality technical education in the country. As a regulator, AICTE has an objective to weed out all institutions not fulfilling norms and standards for quality education. Further, VTU also fixed various norms for granting affiliation to technical colleges. The norms prescribed by the AICTE/VTU with regard to basic parameters, viz., instructional area, amenities, administrative area and computer facilities and the actual availability in the test-checked colleges are indicated in **Chart-2.9** and **Chart-2.10**.

- **Availability of Instructional area compared to norms in test-checked Colleges**



Note: Three colleges which have not completed five years of its existence have not been included for analysing the availability of infrastructure.

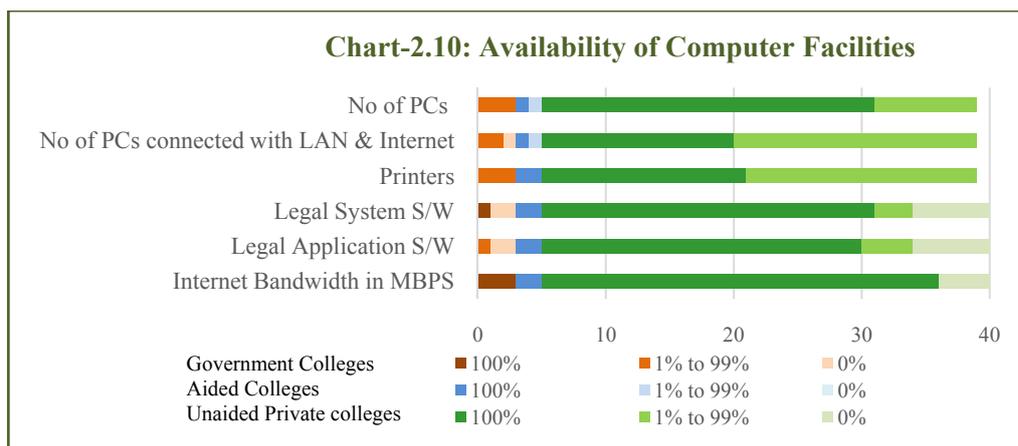
From the above chart, we observed that the availability of instructional areas was less than 50 per cent in workshop (Government colleges) and seminar halls (Government aided colleges and Private unaided colleges). In respect of one Government college test-checked (Raichur), we observed that it lacked in all the parameters of the instructional area.

- **Availability of administrative area compared to norms in colleges test-checked**

In the colleges test-checked, it is observed that there was deficiency in availability of department office and faculty rooms across all colleges. Further, we observed that one Government college (Raichur) lacked in all basic parameters in administrative area.

- **Availability of computer facilities**

The norms for computers specify computer to student ratio for UG courses and PG courses to be 1:4 and 1:2 respectively, with a minimum of 20 PCs in a college.



Note: Colleges which have completed five years of its existence have been compiled for analysis for analysing the availability of infrastructure.

From the chart, we observed that all the Government colleges test-checked lacked computer facilities. However, in respect of aided and unaided colleges test-checked, we observed that while aided colleges had provided computers as per norms, only 75 per cent of the unaided private colleges had provided computer facilities.

It was observed that during 2010-15, the Government had allocated ₹41.30 crore towards procurement of infrastructural facilities which also included purchase of computer for all Government colleges. We observed against the said allocation, an expenditure of ₹24.68 crore was incurred and the balance amount had lapsed as the Director of Technical Education could not procure the items in a timely manner and funds were released only towards the end of the year.

Detailed study of the availability of the basic parameters in the test-checked colleges is brought out in the succeeding paragraphs.

### 2.2.9.1 Teaching faculty–student ratio

The AICTE norms for faculty–student ratio have been prescribed at 1:15 with separate strength for Principal/Director, Professor, Associate Professor and Assistant Professor. Analysis of the staff strength in the test-checked colleges revealed that there was shortage of faculty in the majority of the programmes available in the colleges. We observed that with regard to professors and associate professors, there was 100 per cent shortage in more than 25 per cent of colleges test-checked. The status of shortage of the teaching faculty in four basic courses, viz., computer science, civil engineering, electronics & communication engineering, and mechanical engineering are detailed in **Appendix-2.11**.

Further analysis of the database of the faculty available in the affiliated colleges showed that faculty members working in one college were also shown to be working in other affiliated colleges. This indicates that some faculty members were being shown as working in multiple colleges in order to secure compliance with the AICTE norms.

### 2.2.9.2 *Laboratory facilities*

The AICTE norms stipulate that the laboratories should have appropriate equipment for experiments suitable for the requirements of the affiliating University/Board's curriculum. Further, it has been stated that the desirable number of experiment set ups be so arranged that a maximum of four students could work on one set.

Based on the curriculum of each programme and as per the requirements specified for each laboratory by the colleges, we observed that there were shortages in laboratory facilities in most of the disciplines in the test-checked colleges. In test-checked colleges, the availability of laboratory facilities in the three major branches is summarised below:

- Seven out of 23 test-checked colleges under Mechanical Engineering did not have all the required equipment.
- Fifteen out of 23 colleges test-checked under Electronics and Communication Engineering had more than 25 *per cent* deficiency.
- Sixteen out of 23 colleges test-checked under Civil Engineering had more than 25 *per cent* deficiency.

The status of laboratory facilities in test-checked colleges is given in **Appendix-2.12**.

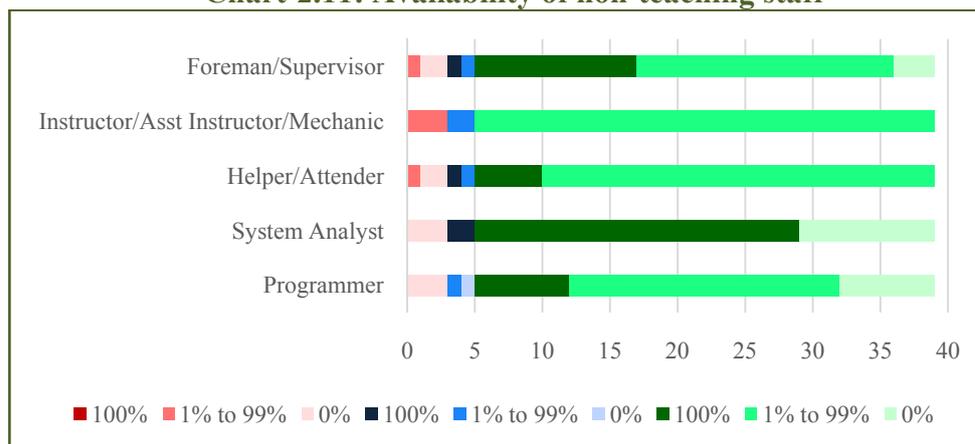
### 2.2.9.3 *Library facilities*

The AICTE norms specify the number of titles, volumes and journals that are to be provided in the library of a college. They also specify the seating capacity and the number of personal computers required in a library based on a percentage of the student strength in the college.

In the test-checked colleges, we observed that while there was shortage in the number of titles provided in the civil engineering library, the deficiency was less pronounced in computer science engineering. The status of the shortage is brought out in **Appendix-2.13**.

### 2.2.9.4 *Non-teaching faculty ratio*

The norms specified for non-teaching faculty are as under: Foreman/Supervisor, one per course; Instructor/Mechanic/Helper, one per laboratory; system analyst and programmer, one and four per computer centre. We, however, observed that there was shortage of non-teaching staff in the majority of the test-checked colleges. The status of shortage of non-teaching faculty in the test-checked colleges is indicated in **Chart-2.11**.

**Chart-2.11: Availability of non-teaching staff**

From the above, we observed that many of the test-checked colleges suffered from inadequate teacher-student ratio, deficient laboratory facilities, poor computer-student ratio, instructional area *etc.* This was not only indicative of the lack of quality of the education provided by these institutes, but also the deficiency in monitoring by VTU as well as AICTE. This not only resulted in these institutes being recognised by AICTE but also being affiliated by VTU.

**Recommendation-10:** VTU needs to develop a mechanism which helps in conducting inspection periodically in order to monitor the quality of the institutions which would help VTU while extending affiliation of the institutions.

The Government agreed (December 2015) to implement the above recommendation.

### 2.2.10 Conclusion

In the absence of any policy/guidelines to address regional imbalances, the Government of Karnataka was unable to correct regional and sectoral imbalances. This facilitated creation of many engineering colleges which are concentrated mainly in the Bengaluru region. Also, increase in intake capacity/establishment of colleges without demand resulted in seats being vacant in almost all the regions.

There was delay in completion of the temporary affiliation process by VTU, as a result, the admission process was completed prior to granting of affiliation. The recommendation of VTU with respect to intake capacity was overruled by Government, which rendered the affiliation process a mere formality and also hampered the quality of education. There was no fixed criterion for granting/withdrawal of affiliation. Hence, institutions were granted temporary affiliation year after year with deficiencies being pointed out by VTU and not being complied with by the institutions. This prompted the institutions to continue with temporary affiliation for a long period rather than aspire for permanent affiliation which required additional requirements to be satisfied by the institutions.

Though accreditation was mandatory, VTU as well as many of its affiliated colleges were yet to secure NAAC as well as NBA accreditation. In addition, the Government as well as VTU failed to ensure minimum standards prescribed by the AICTE regarding quality in education as majority of the colleges had deficiencies in teaching faculty, library facilities, laboratory facilities *etc.*

Further, VTU had not provided sufficient attention towards the promotion of research. VTU by not ensuring continuous support to the e-Learning projects initiated by it, *viz.*, EDUSAT and e-Vidya, rendered the projects unproductive.

Thus, while the Government is having indifferent attitude towards engineering education, the Directorate of Technical Education and VTU was not fulfilling the role envisaged for them *viz.*, allowing admissions to engineering colleges prior to granting of affiliation, not having a system to get colleges to seek permanent affiliation, not encouraging the colleges to accredit themselves through NBA or NAAC and also not effectively monitoring the colleges on infrastructure, faculty, performance *etc.*, which are essential for quality education. Moreover, VTU has not made adequate efforts to get itself recognised/accredited and hence did not lend itself as a role model for the institutions affiliated to it.

# **Chapter-III**

## **Information Systems Audit**



## Chapter-III

### Information Systems Audit

#### Department Personnel and Administrative Reforms

#### 3.1 e-Procurement

##### 3.1.1 Introduction

Government of Karnataka (GoK) envisaged a project to provide unified end-to-end e-Procurement solution to cover all procurement processes from preparation of estimate/indents to final payment of bills to the contractors. The main objective of the e-Procurement project (project) was smart governance, improvement of efficiency, cost saving, ensuring consistency in cost of goods, providing fair competitive platform, arresting cartel formation of suppliers/ contractors/bidders *etc.*

All the departments of the State Government whose tender value is more than ₹ five lakh are mandated to float tenders through the e-Procurement portal. The work relating to e-Procurement was awarded (December 2006) to M/s. Hewlett Packard Sales India Private Ltd (Partner) as Application Service Provider adopting Public Private Partnership model where the bidder pays for using the services. The revenue earned is shared between the Partner and the Centre for e-Governance, Department of Personnel and Administrative Reforms (DPAR), the implementing agency as per agreed rates. The project went live during March 2011. The project consisted of the following modules.

1. Supplier Registration
2. Indent Management
3. e-Tendering
4. Contract Management
5. Catalogue Management
6. e-Auctions
7. e-Payments
8. Accounting
9. Management Information System

The Secretary to Government, DPAR is the head of the department and is assisted by the Additional Secretary to Government. There are two subordinate organisations under DPAR: the Centre for e-Governance (CEG) and the Directorate of Electronic Delivery of Citizen Services. The CEG is a society which implements various projects relating to DPAR (e-Governance). The e-Procurement project is administered by CEO, e-Governance.

##### 3.1.2 Audit Objectives

The audit of e-Procurement was undertaken to ascertain whether:

- The project had achieved its intended objectives of transparency, efficiency, smart governance and cost savings through increased competition in public procurement.

- The overall control of the application and database were adequate to ensure security, reliability and integrity of data and the system.
- Mapping of business rules into the system was provided.

### **3.1.3 Audit criteria**

The criteria for audit were:

- Karnataka Transparency in Public Procurement Act, 1999 (KTPP Act)
- Karnataka Transparency in Public Procurement Rules, 2000 (KTPP Rules)
- Government orders, circulars and guidelines issued by the State Government relating to procurement.
- eSAFE-GD220-Assessment Guidelines Ver 1.0 issued by the Department of Information Technology, Government of India.
- Open Web Application Security Project (OWASP) – Top Ten. This represents a broad international consensus about the most critical web application security flaws.

### **3.1.4 Audit Scope and Methodology**

Entry conference for the audit was held in March 2015 and exit conference was held in November 2015. The audit was conducted during December 2014 to June 2015.

The methodology adopted included analysis of data and testing of application interface. Dump of the data provided (from March 2007 to December 2014) by the CEG was analysed using Mysql.

The e-Procurement portal consists of several components such as the database server, the databases, various objects in the database, the web application and the operating system. The configuration/content of each of these components decides the behaviour and functionality of the e-Procurement portal. Documentation on configuration management<sup>49</sup>, its baselining and change control was not produced to audit. Also, the database provided did not contain information on the uploads by departmental officers as well as suppliers. The scope of the audit enquiry was therefore limited to data analysis of the database and testing of the portal interface. The audit was concentrated on the Indent Management, Supplier Registration, e-Tendering and Contract Management modules.

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<sup>49</sup> Configuration Management refers to the process for recording and updating information that is related to the IT infrastructure.

### 3.1.5 Audit findings

#### 3.1.5.1 Transparency objectives not met

##### (a) Tender evaluation reports not published in the portal

Section 14 of KTPP Act, 1999 read with Rule 26 of the KTPP Rules, 2000 states that Evaluation Report of the tender has to be published in the Tender Bulletin.

Audit, however, observed that the system had not ensured that such information is made available in the portal. For instance, audit found that when the tender submitted by a bidder was rejected, the system, except for showing the status of the bid of the bidder as rejected, did not display reason for rejection. Thus, the system lacks transparency.

The Government replied (November 2015) that e-Procurement portal provides option to upload the proceedings of tender evaluation which could be viewed by the participating bidders. Since the upload option was not made mandatory, the e-procurement portal did not display the tender evaluation and hence the bidder was unaware of the reasons for his rejection. It is seen that some of the appeals arising could be attributed to this which could have been avoided by *suo motu* disclosures. This is discussed in **paragraph 3.1.5.4**.

##### (b) Incomplete/Incorrect Status of tenders

The life cycle of a tender starts with its publishing and ends with completion of the procurement process. The status of tenders at various stages was extracted by Audit from the portal. The data revealed inconsistencies. For e.g. the number of tenders which were under evaluation as on February 2015 was shown as 22,279. An analysis of these tenders showed that the earliest tenders were of Feb 2009 which cannot be the case, as the bid validity period of these tenders has expired. This incorrect status has a cascading effect on the data regarding the number of tenders for which evaluation has been completed and the number of tenders which have been awarded.

Audit observed that the tender inviting authorities had not updated the status of the tenders after the evaluation of the tenders was completed which has led to incorrect/incomplete status being depicted in the portal. The Government had not insisted that the tender inviting authorities update the status of the tenders. As a result, the information about the works completed or the works in progress could not be ascertained from the portal. Hence, no reliable database on goods, services, works and contractors was available from the portal.

The Government replied (November 2015) that periodic directions to user departments were being issued to utilise the e-Procurement portal for completion of all the tender activities which would result in automatically updating status of tenders. The reply is not acceptable as instructions will not be effective unless government makes it mandatory for all user departments to use the downstream workflows.

***(c) Incorrect disclosure of goods tenders***

The e-Procurement portal provides an interface to view the details in respect of bidder selected for the purpose of transparency and availability of pertinent information. In respect of goods tenders, however, it was seen that the information presented by the portal about the bidders selected was incorrect and ambiguous. A few illustrative instances are detailed in **Appendix-3.1**.

The Government replied (November 2015) that the audit observation was noted and would be placed before Change Management Committee for implementation.

***(d) Area wise information regarding tender not available***

While inviting tenders through the portal, the District and Taluk fields were not made mandatory, thereby giving a choice to the tender inviting authorities to either type in the same or not. This resulted in a possibility of the tender inviting authority not filling this data, thereby leading to insufficient data to provide information about ongoing works or completed works in a particular district/ taluk. Hence the district wise search in the portal was non functional. The user had to browse across all the departments and subordinate offices to filter all the tenders called for in a particular area. This resulted in lack of provision for viewing and for searching tenders area wise.

The Government replied (November 2015) that since the works could pertain to several districts/taluks, capturing of data was made optional. The reply is not acceptable as the system could have been designed to capture multiple districts.

***3.1.5.2 Efficiency and Smart governance objectives not met***

Smart governance aids in increased transparency, monitoring and control of procurement processes. Issues of efficiency and smart governance arising due to failure to map business rules in the system are discussed separately under paragraph 3.1.5.4.

***(a) Contractors misleading the Government on tender capacity***

The KTPP Rules, 2000, provides for pre-qualification of tenders on the basis of financial status and capacity. In addition, the State Government in its circular and guidelines (December 2002 and October 2008) had laid down the method of calculation of Assessed Available Tender Capacity which involved value of completed works, existing commitments and ongoing works.

In order to assess the financial status and capacity of the bidder, a statement on existing commitments and ongoing works was made part of the bid document by the tender inviting authority. Also, functionality was provided in e-Procurement to assist the tender inviting authority to verify the tender capacity. Audit, however, observed that these functionalities were ineffective for the following reasons:

- The supplier history information in the e-Procurement merely displayed details of supplier such as tender number, tender status, bid value and evaluation completion date. It did not show information on final bid amount, anticipated date of completion, stipulated date of completion, actual date of completion, quantity of work completed, status of work *etc.* In the absence of this vital information, the system could not calculate existing commitments, ongoing works or value of completed works of a contractor/supplier. Hence, the statement provided by the bidder was accepted as true.
- Regarding financial turnover of the bidder, the portal required the bidder to upload scanned documents supporting his financial turnover. The portal did not capture the financial turnover information in fields designed for that purpose. Since portal did not provide for appropriate fields which are inputs to calculate the financial turnover or the tender capacity, the eligibility with respect to financial capacity had to be worked out manually by the Tender Inviting Authorities.
- On account of not making the qualification criteria *viz.*, tender capacity and past performance mandatory in the system, the tender inviting authorities did not consistently incorporate these requirements in their notice inviting tenders.

All the above, resulted in the works being awarded to ineligible supplier/contractors. It is observed that out of 2,69,652 tenders that have been processed by the portal and out of 67,883 suppliers in the system, financial turnover of only 291 suppliers were available.

Thus, the incomplete and contextually inadequate information in the system would provide an opportunity for the bidder to suppress existing commitments and enhance his tender capacity, which ultimately would rule out new competition. Audit undertook a time consuming exercise of viewing web page after web page and downloading the scanned images uploaded by the bidders and identified a case of suppression of information and resultant award of tender to the ineligible contractor as shown below.

A contractor had submitted a bid (28 January 2013) for Tender notification KPWD/2012-13/RD/WORK\_INDENT13589 which was decided in his favour. As part of the bid documents uploaded, the contractor had disclosed that he had already submitted a bid for a work for ₹3.75 crore. On the contrary, Audit observed from the database of the e-Procurement portal that as on that date (28-Jan-2013), the said contractor had at least six bids (**Table-3.1**) which were under consideration amounting to a total Estimated Value of more than ₹52 crore. The contractor, however, had not disclosed about other bids. All the six bids were submitted between 17 December 2012 and 23 January 2013 which are listed below. Out of these, the contractor had won five works estimated over ₹44 crore (Sl.No. 1, 2, 3, 5 & 6).

**Table-3.1 : Details of bids**

Sl. No.	Tender notification	Estimated Value in ₹	Bid submission date	Bid number	Whether disclosed
1	KRRDA/2012-13/KS 22-10	11,70,87,401	2013-01-23 14:09:11	B530897	No
2	KRRDA/2012-13/KS 21-10	10,73,64,134	2013-01-23 14:07:41	B527544	No
3	KRRDA/2012-13/KS 21-06	10,57,03,719	2013-01-23 12:27:39	B531120	No
4	KRRDA/2012-13/KS 26-08	8,03,46,823	2013-01-23 12:26:46	B531200	No
5	KRRDA/2012-13/KS 26-05	7,78,04,701	2013-01-23 12:25:39	B531142	No
6	KPWD/2012-13/RD/ WORK_INDENT12307	3,75,26,075	2012-12-17 10:38:18	B494572	Yes

(Source: e-Procurement database)

Calculations shown below reveal that his bid for tenders amounting to ₹20.10 crore had to be rejected as his turnover was not sufficient to meet the requirements of the tenders.

The turnover of the contractor as per information available in the portal is shown in **Table-3.2**:

**Table-3.2: Turnover of the contractor**

Year	Turnover (₹)	Year	Turnover (₹)
2006-07	3,91,73,246	2009-10	20,03,12,601
2007-08	9,84,92,131	2010-11	28,71,37,532
2008-09	11,57,32,965	2011-12	24,74,93,502
Maximum turnover during these years <b>28,71,37,532</b>			

(Source: e-Procurement portal)

The actual turnover requirement of the contractor is shown in **Table-3.3**

**Table-3.3: Actual turnover requirement for the tenders**

Tender number	Estimated cost (₹)	Finalisation date	Final turn over requirement in rupees (₹)	Cumulative requirement (₹)	Eligibility
KPWD/2012-13/RD/WORK_INDENT12307	3,75,26,075	23/02/2013 03:59 PM	7,50,52,000	7,50,52,000	Yes
KRRDA/2012-13/KS 21-06	10,57,03,719	25/02/2013 03:44 PM	7,92,77,790	15,43,29,790	Yes
KRRDA/2012-13/KS 21-10	10,73,64,134	25/02/2013 03:52 PM	8,05,23,101	23,48,52,891	Yes
KRRDA/2012-13/KS 22-10 *	11,70,87,401	25/02/2013 04:28 PM	8,78,15,551	32,26,68,442	No
KRRDA/2012-13/KS 26-05 *	7,78,04,701	25/02/2013 04:37 PM	5,83,53,526	38,10,21,968	No
KPWD/2012-13/RD/ WORK_INDENT13589 *	64,63,299	21/03/2013 15:26:21 PM	67,40,000	38,77,61,968	No
* works awarded in excess of eligibility	<b>₹20.10 crore</b>				

(Source: e-Procurement database)

It can be seen that the contractor was awarded works worth ₹20.10 crore in excess of his financial capacity.

Thus, despite e-Procurement being in possession of all the information indicating that the tenderer is ineligible, these works were awarded to the ineligible contractor. This is because the e-Procurement system is ineffective in implementing the business rules of GoK.

For every tender awarded to an ineligible contractor in excess of his capacity, a deserving contractor was denied the opportunity and government lost its chance to increase the breadth of its contractor pool. This prevented e-Procurement from helping the Government achieve its objectives of cost savings through higher competition as competition is prevented from growing.

This is indicative of ineffective requirements gathering and requirements communication, inadequate customisation of the software to meet the business rules of GoK, and poor testing of the system. This impacts the objective of smart governance in implementing e-Procurement.

The Government replied (November 2015) that the above lapse would be taken care in the envisaged e-GP 2.0<sup>50</sup>.

### ***(b) Management of password***

One of the objectives of the e-Procurement project was bringing about transactional effectiveness by eliminating or automating non-value adding steps within the procurement to enable efficient and effective processes.

We observed that about 900 to 1,200 requests for change of password per year had taken place between the stakeholders and the management due to users request or password being forgotten.

The service provider, however, had not taken steps to overcome this deficiency in the portal using alternative channels built into the online platform. This would have reduced the correspondence regarding resetting of password to a large extent and also ensured achievement of the envisaged objective mentioned above.

The Government replied (November 2015) that management of password by using Mobile One facility was being considered.

### ***(c) Non-creation of centralised catalogue***

The catalogue management module in e-Procurement has to ensure the best price of goods and services across all departments to achieve the objective of internal arbitrage. However, it was seen that the design of tables relating to the catalogue management module did not have the flexibility to permit this, as each department had a different catalogue organised hierarchically based on the items created under that department. Also, this defect in the design resulted in the system not being able to automatically display the last purchase rate of the item which was intended to be purchased by any entity presently. This was due to the same item being identified by different item codes and IDs in different catalogues by different departments.

The Government replied (November 2015) that centralised item code catalogue management was noted to be implemented in e-GP 2.0.

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<sup>50</sup> e-GP 2.0 is the next generation e-Government Procurement System

***(d) Submission of Earnest Money Deposit by way of Financial Instruments***

The KTPP Rules, 2000, defines Earnest Money Deposit (EMD) as amount required to be deposited by a tenderer along with his tender indicating his willingness to implement the contract. Further, the EMD could be submitted in full cash or partly by cash and partly by instruments such as Bank Guarantee, Demand Draft, Savings Certificate *etc.*

When the EMD is collected partly by cash and balance through other instruments, the tenderer has to make online payment of the cash portion and attach scanned copies of financial instrument which has to be submitted to the tender inviting authority in original later.

Audit, however, observed that there was no uniform timeline prescribed for submission of EMD by means of financial instrument (original). Hence, each tender inviting authority prescribed different periods *viz.*, on or before the last date and time of bid submission, before the date of opening technical bid and at the time of opening technical bid.

On analysis of data, we observed that there were cases where a tenderer did not submit original bank guarantee in as many as 37 times and the EMDs were not forfeited.

The above scenario did not ensure adequate control with the tender inviting authority, and these weaknesses were misused by some of the tenderers by not submitting original bank guarantees. The Government replied (November 2015) that the issue was discussed in various Steering Committee Meetings and also stated that the CEG intends to develop a system required for implementation of electronic Performance Bank Guarantee (ePBG) in e-Procurement system.

***(e) Work queue and prioritisation of tasks***

The dashboard of the e-Procurement portal displays a chronological list of pending tasks pertaining to the user of a department who has logged in. Generally, the tasks are grouped into Indent, Notice inviting tender/Detailed tender schedule/ Addendum/Corrigendum, Purchase request, Purchase order, Contract Management-Bill approval, Contract Management – Contract approval *etc.* We observed that the user could attend to the tasks in any order in the pending list.

The Government replied (November 2015) that though each task was classified and placed chronologically, there was no hard and fast rule to dispose the task in the same chronological order. The reply is not acceptable as there was no exception report to monitor cases where tasks were disposed out of turn ahead of other pending tasks. Thus there was no way to monitor tasks disposed out of turn.

**(f) Management of Earnest Money Deposit**

The bidders along with bid documents, make payment towards tender processing and also EMD. In case of successful submission of bid through e-Procurement portal, EMD is retained till tender is awarded to successful bidder, and the EMDs in respect of unsuccessful bidders are to be refunded.

An analysis of the database pertaining to e-Procurement revealed the following:

- There were 7,371 cases where contractors had not completed submission of their bids. Since the system allows the users to make payments prior to submission, the system had accepted both the payments towards tender processing fee and EMD in all the above cases. The EMD with respect to the said cases worked out to ₹93.60 crore. Since the system had not been incorporated with automatic refund of EMD in such cases, the refund had to be initiated by the tender inviting authority. Due to delay in initiation of refund, as on December 2014, there were 5,858 cases pending with EMD amounting to ₹63.52 crore.
- Further, we observed that as of July 2014, there was EMD amounting to ₹1,123 crore with the CEG which was to be refunded to the unsuccessful bidders (1,37,415 bids). Year-wise breakup of such bids is detailed in **Table-3.4**.

**Table-3.4: Year wise breakup of unsuccessful bids**

Year	No of bids	Year	No. of bids
2008	101	2012	8,340
2009	810	2013	29,589
2010	2,848	2014	86,550
2011	8,356	Without date	821

(Source: Database provided by CEG)

The system, however, was not designed to issue any alert to the tender inviting authority about the pendency position.

- Analysis of the data in respect of refunds already made showed that in respect of 1,48,731 cases, the refund ranged between 10 to 2,099 days. In addition to the above, there was delay of 10 to 1,644 days in 7,508 cases from the date of instruction received for refund by the respective department and the actual date of refund.

The Government replied (November 2015) that CEG has taken action to inform the departments regarding pendency of refund of EMD. The reply is not satisfactory, as the CEG could consider automation of refund of EMD.

**Recommendation-1: Scope for automatic refund of EMD should be explored to overcome the delay in the process.**

### 3.1.5.3 Security and Integrity

#### (a) Bidder's identity disclosed prior to closing of tender date-Application did not implement security

Rule 15 to 19 of the KTPP Rules, 2000 specifies procedures for receipt and opening of tenders wherein it states that the bidder's identity should not be

disclosed prior to the date of opening of tender. However, e-Procurement has not ensured free and fearless participation of bidder and participation with anonymity as envisaged in the KTPP rules.

Audit observed that it was possible to know the identities of bidders (such as name, address and phone number) who were participating in the tender, prior to closing of the tender. This was due to insecure coding practices in the application.

Instances where the audit could ascertain the identity of the bidders when bids were still open are brought out in **Table-3.5**.

**Table-3.5: Instances where identity of the bidders were disclosed prior to closing date**

Tender Number and name	Tender Closing time	Date and time when audit penetrated the system and accessed the bidder information
KPWD/2015-16/OW/WORK_INDENT20311 Improvements & Widening of Baloba cross to Khadaklat Kothali Shantigiri Chinchani road from Km No, 13.65 to 15.25, ( Kothali to SH-18) 16.20 to 18.95 ( Shantigiri X to Shantigiri) & 19.30 to 21.10 (Kuppanwadi to kuppanwadi X) In Chikodi taluka of Belagavi Dist under HoA:5054-Plan-MDR-Imp-2014-15-App-E	25/06/2015 16:00:00	24/06/2015 16:57
CEG/12/Sec-Lan/2015 Procurement of SPAM Filtering Software	30/06/2015 17:00:00	24/06/2015 12.45
CEG/15/SEMT/2015 ICMS PMU High Court of Karnataka	06/07/2015 17:00:00	24/06/2015 12.43 pm

(Source: e-Procurement portal)

The Government replied (November 2015) that the CEG has taken steps to rectify the problem during November 2015.

**(b) Improper implementation of digital signature**

According to the ‘Guidelines for Usage of Digital Signatures in e-Governance’ Version 1.0 (December 2010), Government of India, a digital signature is an electronic signature that can be used to authenticate the identity of the sender of a message or the signatory of a document, and to ensure that the original content of the message or document that has been sent is unchanged. Thus, digital signatures provide message authentication, message integrity and message non repudiation.

Analysis of the working of the portal showed that for each form various decisions were involved by various user categories. Illustrative forms are listed in **Table-3.6**.

**Table 3.6: Decisions involved in various forms**

Form	User category	Decision involved
Project Approval Decision	Departmental officer	Approve/Reject/Send back for clarifications/Delegate
Letter of intent acceptance or rejection	Contractor	Accepted / Rejected / Clarification
Performance Guarantee Submission	Contractor	Accepted / Seek clarification
Contract approval page	Departmental officer	Approve/Reject/Send back for clarifications/Delegate
Review performance guarantee submission	Departmental officer	Accepted / rejected

(Source: e-Procurement portal)

We however observed that the interface allowed the user to sign the form even prior to selecting the decision and thus the signature did not contain and bind the decision to the signer. Hence, all the data compiled from such forms suffered from uncertainty about message integrity and non repudiation was not captured reliably.

The Government replied (November 2015) that matter with respect to works tender was addressed and action would be initiated with respect to Goods and services tenders.

***(c) Security risk due to defective implementation of two factor authentication***

The e-Procurement portal has the option to enforce two factor authentication by way of user-id and password followed by digital signature of the user. The two factor authentication is used to prevent access to further application functionality such as menus or links that could be used by the authenticated users only. Audit, however, noticed that due to defective implementation of the two factor authentication system, the user was able to access application functionality bypassing the two factor digital signature authentication. This posed a security risk as the application was trusting the browser and not validating the browser requests at server side.

This occurred due to improper session<sup>51</sup> management<sup>52</sup> for authentication. The Government replied (November 2015) that issue was fixed by the Partner in July 2015.

***(d) System vulnerable to hacking by hijacking tasks***

The e-Procurement portal has implemented workflows for various items of work or actions to be performed by different users *viz.*, all Government officials and contractors. Activities such as initiation, forwarding approval, acceptance, rejection, appeal *etc.*, are presented to the users in the form of a dash-board, when they login to the system, which acts as a logical “in-tray” for the users.

Audit observed that the tasks lying in the dashboard of a user could be removed by any other user (attacker) and the task gets transferred to the attacker’s control. A security weakness in the e-Procurement workflow engine, availability of task reference (Task-Ids identifying the tasks are serially numbered and available in the URLs<sup>53</sup>), and inconsistency in authorisation checks in e-Procurement application enabled attackers to hijack tasks belonging to other users. The application was not consistently verifying whether the user requesting a resource is authorised to access it, thereby violating the standard of security<sup>54</sup>.

<sup>51</sup> The user interacts with the web application by way of Hyper Text Transfer Protocol requests and responses. This is termed as a session

<sup>52</sup> A3 Broken authentication and session management

<sup>53</sup> Uniform resource locaters

<sup>54</sup> OWASP 2013 A4 Insecure Direct Object Reference and A7 Function level access control

This weakness breached confidentiality, made tasks vulnerable to attacks, and affected the integrity and reliability of the system. This arose because the system generated the web pages with menus to execute only authorised functions but did not perform appropriate server side validation.

The attack was demonstrated by audit to the Department. After the issue was pointed out in audit, the Government replied (November 2015) that issue was fixed by the Partner.

***(e) System vulnerable to hacking through session hijacking***

Sessions provide the application the ability to establish access rights that apply to each and every interaction a user has with the web application for the duration of the session. Each session is identified by a session\_id. In this regard, Audit observed that the system was not protecting user sessions and was permitting scripts to be injected in the system. This allowed the attacker to remotely collect the session\_id of the victim, and enter into his session. Hence, the system was open to session hijacking which constituted a serious vulnerability. The vulnerability could be used to impersonate the victim, terminate their sessions, view their activities and menus, etc. In short, it compromised confidentiality as well as security in the system.

The Government replied (November 2015) that issue was fixed by the Partner after audit observation was issued.

**Recommendation-2: Periodic security reviews should be conducted to plug security weaknesses in the system.**

***(f) Digital signatures not appended to the communications***

All the correspondence in the portal had to be digitally signed by the Tender Inviting Authority as defined in Request for Proposal under Public Key Infrastructure Digital Signature Certificate. We observed that none of the communications issued by the tender inviting authority were digitally signed. They were either unauthenticated plain Word or Portable Document Format (PDF) files which were neither embedded with digital signatures nor accompanied by digital signatures. Hence, these unauthenticated documents did not bind the issuer to the documents issued.

The Government replied (November 2015) that some of the documents provided by the department could be used by the bidders without changing the format or content. It also stated that at any point of time the correctness of the documents could be verified from those available in e-Procurement portal. The reply is not acceptable as all the documents available in the portal were not digitally protected and hence were susceptible for alteration during transit.

***(g) Disaster Recovery: Non-availability of disaster recovery site***

Business continuity planning refers to working out how to stay in business in the event of a disruption. Disaster recovery is a critical component of business continuity planning. In respect of e-Procurement, though the disaster

recovery site has been envisaged to be set up at Suvarna Soudha, Belagavi, it is yet to be created. Instead, site replication is carried out at another storage system at State Data Centre, Bengaluru for faster retrieval of data in the event of a storage failure. However, this does not ensure continuity of business in the event of a disaster affecting the State Data Centre in Bangalore.

#### 3.1.5.4 Mapping of business rules

##### (a) Poor implementation of Contract Management Module

The Contract Management module deals with the processes involved between the issuance of the work order and the final payment of bills to the contractor. The implementation of this module would *inter alia*, enable the Government to maintain an overview of works in progress and build a repository of information that could be used to measure the performance of a contractor.

The data generated by the contract management module is also used in the e-tendering module during the technical bids evaluation where bid capacity is to be assessed.

Analysis of e-Procurement data showed the following:

Total number of works tenders floated through the portal <sup>55</sup>	1,47,168 tenders
Number of tenders where the contractor selection has been completed.	1,28,453 tenders
Number of works whose contract management is handled in e-Procurement.	41 tenders

Thus, against 1,28,453 works where contractor selection has been completed, the contract management information was available in e-Procurement only in respect of 41 works. This indicated poor implementation of contract management module. Poor availability of contract management information had cascading impacts on tender evaluation processes as the latter requires contract management data for technical evaluation processes.

The Government in reply (November 2015) stated the following:

- The Contract Management Module was dependent on (i) treasury system to integrate with e-Tendering modules, (ii) banks to integrate with e-Payment system, (iii) capacity of contractor to enter milestones, (iv) availability of Information Technology (IT) and network infrastructure in all locations *etc.*, and hence could not implement the said module. The reply, however, is not acceptable. From the proceedings of the Tenth meeting of Steering Committee (March 2015) it is evident that the Contract Management Module was not used due to bugs in the application and that the Partner was unwilling to make changes to the software as required by the departments (business rules) but tried to enforce existing version of the software on the users. Further, it was noticed that there was negligible training in the area of Contract Management Module.

<sup>55</sup> Tenders in “Published”, “Closed”, “Under\_Evaluation” or “Evaluation\_completed” status

- Government has also conceded the poor uptake of Contract Management module and stated that a three member committee has been constituted to analyse the root cause for the poor uptake.

**Recommendation-3: Government should ensure incorporation of the business rules relating to contract management processes and enforce the implementation and utilisation of the Contract Management Module to optimise the functioning of the tender process.**

**(b) Appeals pending**

The KTPP Act, 2000, read with KTPP Rules provide for appellate authorities to hear appeal from any tenderer aggrieved by an order passed by the tender accepting authority. The authorities shall as far as possible dispose of the appeal within thirty days from the date of filing.

Analysis of the database of the portal showed the following:

- As at the end of December 2014, out of 1,665 appeals submitted by different tenderers, decision was taken only in respect of 431 cases. There was no response from the appellate authorities in respect of balance 1,234 cases. The appeals pending during the period December 2008 to December 2014 are indicated in **Table-3.7** below:

**Table-3.7: Period of appeals pending**

Year from which appeal pending	Number of appeals pending
2008	1
2009	21
2010	62
2011	126
2012	235
2013	299
2014	490

(Source: Database provided by centre for e-Governance)

- One of the reasons for appeals pending was due to appellate authorities not logging into the portal. The portal however, was not designed to alert the user automatically after completion of the period prescribed. As at the end of December 2014, against 634 appellate authorities, while 166 had never logged into the portal, 332 appellate authorities had not logged into the portal for over three months.
- The second reason for appeals pending was wrong mapping of appellate authorities in the portal. According to KTPP Rules, the Head of the Department was the Appellate Authority in case of tender accepting authority being subordinate to the Head of the Department. In case of tender accepting authority being Head of the Department, local authority, State Government Undertaking, Board, Body Corporate or any other authority owned or controlled by the Government, Government was the appellate authority. In this connection, we observed that in the e-Procurement system, the appellate authority role was assigned to the Government, irrespective of the tender accepting authority, which was contrary to the rules specified.

- Review of appeals showed that the interface does not provide for categorisation of appeals and most of the reviewed cases are seeking reasons for rejection which could have been addressed by publishing the tender evaluation reports in the portal which has already been discussed in paragraph 3.1.5.1(a) above.

The Government replied (November 2015) that the portal was designed as per the specifications under KTPP Act and the concerned departments had to ensure its utilisation.

**Recommendation-4: Government should conduct training programmes for higher authorities to sensitise them to the importance of using the portal**

*(c) Blacklisting of Contractors*

During the period 2012-14, eight contractors were blacklisted by various departments. Analysis of the supplier data in the portal, however, showed no such contractors to have been blacklisted. By not creating such facility in the portal, there was a risk of entrusting the works to blacklisted contractors.

The Government replied (November 2015) that various modalities of blacklisting contractors are being considered by them. The reply is not acceptable as the blacklisted suppliers are not shown as such in the portal.

*(d) Work flow for handling short term tenders*

The KTPP Rules, 2000, states that the tender inviting authority had to ensure that sufficient time is provided for submission of tenders. The minimum period for tenders up to ₹ two crore in value is thirty days and in excess of ₹ two crore in value is sixty days. Further, any reduction in time is to be specifically authorised by an authority superior to the Tender Inviting Authority and the reason for such reduction has to be recorded. Thus there is a difference between the approval workflows of short term tenders and full term tenders as the reasons for reduced tender period have to be specifically captured.

From the data, we observed that between November 2007 and December 2014, of the 2,69,941 tenders being floated through the portal, period in respect of 2,26,849 tenders was less than the minimum period prescribed in the KTPP Act, 1999. In this regard, we observed that:

- The system did not apply minimum default tender periods for tenders based on their estimated cost;
- The workflow did not mandatorily record reasons for calling tenders with less than the minimum period prescribed in the KTPP Act, 1999.

As the reasons for resorting to short term tendering were not consistently recorded, the objectives of transparency, increase in competition and smart governance were adversely affected.

The Government replied (November 2015) that long duration for bid submission did not ensure more participation. It further stated that e-Procurement portal was designed in accordance with functional requirements of KTPP Act, 1999. The reply was not acceptable as the provision under the said Act was envisaged to ensure more participation. Further, since the reasons for calling tenders with less than the minimum period prescribed in the KTPP Act, 1999 was not recorded mandatorily, the portal was not designed completely in accordance with the functional requirements of KTPP Act, 1999.

#### **3.1.5.5 Inadequate testing**

##### **(a) Uploaded documents could not be viewed**

Various documents such as technical proposals, corrigendum issued by the departments, addendums to the technical proposals called for *etc.*, are uploaded by tender inviting authorities. Similarly, documents are uploaded by bidders, which are to be viewed by the tender accepting authorities. Audit, however, observed that these documents could not be viewed by the bidders/department and hence resulted in incomplete information being available in the portal.

The Government replied (November 2015) that the issue was at the local computer and e-Procurement did not have control over local computer. It also stated that all bid documents signed and submitted by bidders were visible by the concerned departments. The reply is not acceptable as the issue was related only with respect to corrigendum, addendums and the like and hence it was not a local personal computer issue.

##### **(b) Incorrect supplier history**

Information on the supplier history is provided in the e-Procurement portal and we observed that the information so provided was incorrect and misleading. Instances are brought out below:

- The portal displays the supplier M/s. Tata Motors had been selected in respect of 73 tenders under one representative of the company, while it displays the same supplier to have been selected in 20 tenders under another identity. Since both the individuals represent the same supplier, the information provided by the portal was incorrect and misleading.
- The portal also gives incorrect information with respect to individual suppliers. The portal allowed an individual to have more than one account.

On carrying out a test-check of the database, we observed that such inconsistent data existed in the e-Procurement system in respect of 329 contractors. This defect in the design of the application not only provided incorrect and misleading information, it also indicated that the testing had been ineffective.

The Government replied (November 2015) that the audit observation would be placed before the Change Management Committee for approval so that the entire list of tenders against a company would be displayed to the Tender Evaluating Authority.

**(c) *Incorrect Management Information System Report***

The Management Information System (MIS) is a critical component, which collects, records, stores and processes data from all the departments in an integrated manner. It also provides a feature known as MIS Reports from where the user can extract details of tenders. It has an option to filter the data on parameters such as tender status, date of publishing of tender, amount of tender *etc.* All such information with respect to the report are drawn from the table “mis\_tender\_details”. Analysis of this table showed that in 34,185 cases pertaining to 133 departments for the period from 2008 to 2014 were published even before Detailed Tender Schedules were approved. Audit further noticed that the table was used as input for two more MIS reports namely Tender Item Details Report and Prequalification Tender Details Report. The prevalence of such incorrect data led to unreliable MIS reports.

The Government replied (November 2015) that the Partner had fixed the issues.

**3.1.5.6 *Other observations***

**(a) *Managerial Controls: IT Governance***

IT Governance integrates and institutionalises optimal ways of planning and organising, acquiring and implementing, delivering and supporting, and monitoring IT performance.

We observed that the project was intended to go live in six months (June 2007) but failed to do so until 2011.

The project was to undergo third party audit and security audit biannually for acceptability and security of the project respectively. We, however, observed that the third party which was to assess and certify the acceptability of e-Procurement system failed to complete the audit within six months (December 2007). The guidelines for the audit were not firmed up until April 2009 and hence the audit was not completed until 2010. This prevented the platform from going live until 2011. Also, we observed that the security audit was not conducted during the last four years. This resulted in the portal running with inherent security weaknesses in its design.

**(b) *Non-availability of System Requirement Specification***

A properly documented System Requirement Specification (SRS) by the software development team ensures that the needs of the users of the system have been taken care of and the software developed meets the business requirement.

As per the Master Services Agreement and Project Engagement Definition Document (PEDD), the responsibilities of the Partner included submission of

detailed documentation on the TO BE processes for each of the departments or organisations and getting sign-off on them.

These TO BE processes formed the basis for designing the SRS and developing the e-Procurement system. Further, the Partner was also responsible for getting sign-off on SRS processes from the departments or organisations. The said documentation was also to be updated as and when changes/ enhancements/bug fixing were made to the system. Thus, the updated SRS would have documented all the processes as implemented in e-Procurement. Without such documentation, the software cannot be developed nor maintained in a professional manner. In the current case, the narration /explanation/expansion/elucidation of the processes being followed and to be followed is the property of Government.

Audit, however, observed that the SRS was not available with the Government.

The Government replied (November 2015) that SRS was a detailed technical document typically not well understood by non-technical resources and hence sign-off on the SRS by departments would have caused delay in rolling out the software. The reply is not satisfactory as in the absence of detailed user requirements documentation, the SRS was the only document which could be used as the basis to ascertain whether the users requirements were elicited and incorporated in the application. In this regard, the Government stated that action would be taken to ensure all the required documentation of the existing system is obtained from the Partner at the time of Exit Management in order to avoid duplication of efforts in the proposed e-GP 2.0.

### **3.1.6 Conclusion**

Delay and poor implementation led to the government not deriving full benefit of the unified e-Procurement solution. The off-the-shelf e-Procurement application was not adequately customised to suit the specific user requirements and KTPP provisions. Opportunities for using IT for improving efficiencies has not been utilised fully. Inadequate testing had led to incomplete supplier history and incorrect management information system reports. The application suffered from four out of the OWASP Top Ten<sup>56</sup> security vulnerabilities.

Although the Government had intended to implement an end-to-end procurement solution with benefits of transparency and smart governance, the e-Procurement portal had no information about contracts concluded, works in progress, works completed, goods supplies done, expenditure progress, abandoned works, letters of intent and works yet to be started. Thus, the project failed in achieving its intended benefits of transparency and smart governance, leading to a situation where the envisaged end-to-end procurement solution for Government of Karnataka was used only as a tender processing website even after eight years of its implementation.

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<sup>56</sup> A2, A3, A4 and A7

# **Chapter-IV**

## **Compliance Audit**



## Chapter-IV

### Compliance Audit

#### Department of Home

#### 4.1 Follow up audit on Internal Control System in Department of Prisons

##### 4.1.1 Introduction

The objective of this audit was to determine whether corrective action has been taken to address the audit findings and implement the recommendations made in the Comptroller and Auditor General of India Report (Civil) for the year ended 31 March 2004 - 'Evaluation of Internal Control System and Internal Audit in Department of Prisons (Previous Report) and recommendations of the Public Accounts Committee (PAC) on the above said report which was placed in the Legislative Assembly during December 2009 (Report of PAC). The earlier audit was undertaken to assess the extent of compliance with the financial and operational controls in relation to the physical verification of prisoners at the time of entry and exit, segregation of prisoners, producing undertrials in courts, transfer and release of prisoners, *etc.*, as prescribed in the relevant Acts, Rules and Manuals.

The Department of Prisons is under the administrative control of the Principal Secretary to Government, Home Department (Department), and is headed by the Additional Director General of Police and Inspector General of Prisons (ADGP&IGP), assisted by the Deputy Inspector General of Prisons (DIG). There are 102 prisons, classified as Central Prisons (eight), district prisons (19), special sub-jails (two), Taluk sub-jails (70), open-air jail (one), juvenile jail (one) and borstal school (one).

The follow up audit covering the period 2010-15 was conducted during February to June 2015 by test-check of records maintained in the Secretariat, Home Department, Office of the ADGP & IGP, six Central Prisons, five district prisons and three sub-jails<sup>57</sup>. All the field units covered in the follow up audit were the same as in the previous audit.

##### 4.1.2 Results of Audit

The Report of the Comptroller and Auditor General of India of 2004 had three recommendations each on custody of prisoners, security of prisoners and the monitoring system. The PAC report, however, had suggested seven recommendations relating to custody, security, facilities available in prisons,

<sup>57</sup> Central Prisons – Ballari, Belagavi, Bengaluru, Dharwad, Mysuru and Tumakuru (Women)  
District Prisons – Chikkaballapur, Kolar, Shivamogga, Tumakuru and Ramanagara  
Taluk Sub-jails – Arasikere, Gokak and Tiptur

and monitoring. In the follow up audit, we observed that the State Government had taken some corrective actions to implement the recommendations in the previous Audit Report as well as the PAC's recommendations. The adequacy of the corrective action taken by the Government on audit findings, audit recommendations and PAC's recommendations is discussed in the subsequent paragraphs.

#### **4.1.2.1 Prevention of entry of prohibited articles into prison**

The Government of India Prisons Manual, 2004 specifies various norms on issues relating to security and custody in prisons. The norms include:

- a system of thorough searches of all incoming and outgoing prisoners, articles and vehicles;
- daily searches and periodical surprise searches of all prison sections and equipment;
- monitoring from a central point, for controlling the movement of prisoners;
- installation of close circuit television systems and other electronic gadgets for effective monitoring and maintaining a close watch to avoid any breach of security inside the prisons;
- construction of watch towers, provision of searchlights and binoculars, wherever necessary, to keep vigil both inside and outside of the prisons;
- installing power fences on the walls of prisons wherever necessary to prevent escapes, and
- a system of thorough searches for unearthing explosives, narcotic substances, electronic gadgetry *etc.*

The Karnataka Prison Manual, came into force in 1978. After that, it has not been revised. The manual except for stipulating powers and duties of a Gate Keeper, does not cover other aspects of security. The manual specifies that the Gate Keeper is required to prevent introduction of un-authorised articles such as Ganja, opium, tobacco, narcotics, liquors and drugs or any articles which would abet and assist the escape of prisoners and also not to allow any article outside the prison gate without proper authority. Further, it states that he should be in-charge of the main gate of the prison and also maintain a gate register in this regard.

**Audit finding:** The possession of prohibited articles by prisoners indicated that the procedure followed for physical check of prisoners was not effective.

**Audit recommendation:** System of physical check of prisoners during entry/exit should be made more effective by installing sophisticated gadgets and deploying trained staff.

**PAC recommendation:** PAC suggested five recommendations, *viz.*, adherence by the Jailor and subordinate staff to the guidelines on physical check of the prisoners at the time of admission and also on every subsequent occasion of entry and exit of the prisoners and any other persons entering the prisons; conducting surprise inspections of the jail premises and installing CCTV cameras; installing mobile jammers; initiating action against Jailor/

Subordinate staff in case of non-adherence to the guidelines issued on prevention of entry of prohibited articles into the prisons and minimising the number of visitors visiting the prisoners.

**Findings of follow-up Audit:** Government initiated action with respect to recommendations of the PAC. The audit findings on its adequacies are discussed below:

**(a) Physical check of prisoners and other persons entering prisons**

Electronic equipment such as hand held metal detectors, door frame metal detectors, deep search metal detectors, baggage scanners, *etc.*; are essential for surveillance and for detection/prevention of entry of prohibited articles into the prisons. Though the Government has procured this electronic equipment, guidelines were not issued by the Government for its use. In the units test-checked, we observed the following:

- Many electronic equipment procured were not in working condition and no action had been initiated to get them repaired (**Appendix-4.1**).
- In the Central Prison, Belagavi, except for lunch boxes/bags of the prison staff, no other items was being subjected to scanning.
- No system was put in place to scan or check the vehicles that carried food articles, raw materials for manufacturing departments in the prisons. Similarly, all the articles manufactured<sup>58</sup> in the prison such as Agarbattis in three<sup>59</sup> prisons, and bakery products in Central Prison, Bengaluru were moved out of the prison without issue of a gate pass or an entry in the gate register, as was required in the manual.

Further, it was also observed that during the period 2010-15, various prohibited articles, *viz.*, mobile phones (4,437), sim cards (3,116), mobile chargers (1,211), batteries (3,307) and drugs (43.778 kgs) were seized in test-checked prisons during the course of routine checks and surprise inspections. The non-functioning of devices procured, including CCTV cameras and jammers are discussed in detail in subsequent paragraphs. All the above instances/observations not only indicate laxity in the management of the security system but also non-adherence to the guidelines stipulated in the manual.

The Government replied (December 2015) that an assessment would be made to repair and re-use the non-functional equipment, and for catering to additional requirements. It further replied that action was taken to obtain Annual Maintenance for security equipment and also that all the heads of the prisons had been instructed to submit reports on maintenance of security equipment and also to conduct physical checks using this security equipment.

<sup>58</sup> Prisoners are to work in prison as a means of furthering their rehabilitation. The manufactured articles are removed from the prison on a pass issued by the Superintendent and also on making necessary entries at the Gate.

<sup>59</sup> Mysuru, Tumakuru and Ramanagara

**Recommendation-1:** Government is required not only to issue detailed guidelines in support of provisions already existing with regard to physical check of persons/vehicles entering the prison but ensure their implementation as well.

**Recommendation-2:** Government needs to update the Karnataka Prison Manual, 1978, duly incorporating provisions relating to new technology equipment procured for security of the prison.

**(b) Conducting surprise inspection**

The Government issued (March 2010 and November 2011) two guidelines which made surprise inspections and search of premises by dog squads mandatory. As per these guidelines, the Department had to conduct surprise inspection in co-ordination with the Police Department, and search of premises by dog squads once in every 15 days. We, however, observed that against the required 1248 surprise checks<sup>60</sup> and 768<sup>61</sup> searches by dog squad in the 13 units test-checked, only 130 and 138 respectively had been conducted.

Further, the Government of India (GoI) had suggested (May 2010) steps to be taken for detecting drugs and inmates with drug addiction. In the units test-checked, we observed that the Department had, however, not followed the steps suggested by the GOI, and in three Central Prisons about 44 kgs of Ganja were recovered during 2010-15. Apart from this, as already indicated in the previous paragraph, mobiles, sims, chargers *etc.*, were also recovered during 2010-15. The details of the sources from where they were seized are indicated in **Appendix-4.2**. We observed that the major source for entry of prohibited articles was at the time of interview granted to visitors and the preferred hiding place for the prohibited articles was the toilet. The fact, however, remains that the prohibited articles could enter the prison. All these indicated lack of controls in detecting drugs at the entry as well as insufficient checks at the premises.

In this connection, the PAC had recommended the initiation of disciplinary action against officers/staff for dereliction of duty in such instances. We, however, observed that during 2010-15, investigation was initiated in only 20 cases across the State. Out of these 20 cases, disciplinary action had been taken in 14 cases, four cases were closed due to lack of proper evidence and 2 cases are under investigation.

The Government replied (December 2015) that due to shortage of staff there was shortfall in conducting inspections. It further stated that the Government had approved (May 2015) the deployment of Karnataka State Industrial Security Force in the four major prisons which would not only strengthen the security but also prevent the entry of prohibited items into these prisons.

**(c) Installation of CCTV cameras**

The PAC recommended installation of CCTV cameras for round the clock surveillance and also to serve as a means of identification of individuals and

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<sup>60</sup> 10 units test-checked x 2 x 12 x 5 years +1 unit in Tumakuru (Women) x 2 x 12 x 2 years

<sup>61</sup> 10 units test-checked x 2 x 12 x 3 years + 1 unit in Tumakuru (Women) x 2 x 12 x 2 years

articles, *etc.* They could help to keep strict vigil on the movements of the prisoners, which would put an end to prohibited articles entering the prison.

Though the recommendation for installing CCTV cameras was given by the PAC in 2009, the Government took action to implement this recommendation between 2013-15, by approving installation of 406 CCTV cameras in eight central prisons at a total cost of ₹17.87 crore. We observed that in the six test-checked central prisons, the Government had procured 351 CCTV cameras and all were commissioned in 2014. Further, we observed in the units test-checked that prior to 2014, only three prisons had CCTV cameras. Out of the 58 cameras installed in these prisons, 47 were not working of which 43 were irreparable. Hence, all the prisons test-checked did not have video surveillance facility till 2014. From the details of the entry of prohibited articles given in **Appendix-4.3**, it has been seen that there is a drastic reduction on the entry of prohibited articles into the prisons on account of the introduction of video surveillance, which is appreciable but strict vigil is still required to keep the system in working order to get desired results.

**Recommendation 3:** Installation of CCTV cameras needs to be extended to all the prisons and their maintenance ensured by regular follow up.

**(d) Installation of Mobile Jammers**

Subsequent to the recommendation of the PAC, during 2009, the Department proposed to install 66 cell phone jammers in six central prisons and one district prison (Mangaluru) at a total cost of ₹28.28 crore. While the jammers have been installed in four central prisons, work in two central prisons (Belagavi and Kalaburagi) and one district prison was in progress. In the test-checked central prisons, we however, observed the following:

- The performance of four 2G jammers since installation (December 2009) in Mysuru prison was unsatisfactory as they did not cover the specified area. Despite several correspondences requesting speedy remedial action, the supplier was unsuccessful in rectifying the defects to block the mobile signals to the satisfaction of the jail authorities. Even though the 2G jammers were upgraded as 3G jammers, the system did not function satisfactorily. Since May 2012, the systems were found to be completely out of order and not in usable condition. The total expenditure incurred for the purchase of these systems was ₹86.05 lakh.
- In three other prisons (Dharwar, Ballari and Bengaluru) network connectivity was reported to be available inside the prison in certain areas.

Further, we observed that the supplier in his communication (July 2014) to the Department had indicated the following reasons for non-functioning of the jammers:

- telecom service providers pumping more power which countered the jammer power;
- irregular power supply/variation in voltage and non-availability of continuous power supply;
- limiting of radio frequency signal generated by jammer to jail premises;
- non-availability of dedicated personnel to operate jammers, *etc.*

From the above it can be seen that it was a serious challenge to precisely control the radio frequency signals of the jammers due to technical reasons and that the installation of jammers was not a solution for unauthorised usage of mobiles in the prison by the prisoners. This rendered a sum of ₹28.28 crore incurred on installing the jammers largely unfruitful.

From the above findings it is seen that the Department had not done adequate background study to ensure that all requirements were fulfilled so as to ensure that jammers when installed would carry out their function effectively.

The Government replied (December 2015) that efforts were being made to effectively operationalise the existing system.

**Recommendation 4:** Issues relating to the effectiveness of the working of mobile jammers needs to be sorted out by in-depth examination of the problem before replicating the same in all prisons in the State, besides rectifying the defects in the existing equipment.

#### **4.1.2.2 Producing undertrial prisoners in courts**

According to Rule 149 of the Karnataka Prisons Rules, 1974, on receipt of an order requiring the appearance of a prisoner in a competent court to give evidence or to answer a charge, it is the responsibility of the officer-in-charge of a prison to act in accordance therewith and to ensure safety of a prisoner during his absence from the prison.

**Audit findings:** All the undertrial prisoners required to be produced on a particular date were not produced on that date but were produced on second/subsequent occasions in a staggered manner. Monthly statement indicating details of undertrial prisoners whose cases were pending in courts for more than three months and statement indicating undertrial prisoners who might be eligible for bail were not furnished to courts.

**Audit recommendation:** The system of providing escorts to undertrials when they are taken to courts should be streamlined and monthly reports regarding undertrials submitted to courts regularly.

**PAC recommendation:** In order to bring down the delay in producing the undertrial to court, the PAC suggested eight recommendations, viz., recruiting of police personnel as police escort; coordinating with Karnataka Legal Services Authority to conduct more Lok Adalat camps, establishing courts in premises of jails; forming State level committee to review and dispose of cases pending for more than six months; furnishing periodical statements to courts on time; and conducting quarterly review of pending cases at the Government level.

**Findings of follow up audit:** Action had been initiated by the Government on some of the recommendations which were reviewed by audit. The observations in this regard are brought out in the subsequent paragraphs:

**(a) Lok Adalat camps**

In order to ensure speedy and effective disposal of cases, the PAC had recommended to the Department to co-ordinate with Karnataka Legal Services Authority for conducting Lok Adalat camps. It had also recommended for fixation of annual targets for disposal of cases through Lok Adalats.

In the units test-checked, we observed that seven Lok Adalat camps were organised during the period 2010-15 in three central prisons and two district prisons. We observed that against 3,283 cases pending for more than three months, only 448 cases were referred to the Lok Adalat, of which 257 cases were disposed of. In addition, we observed that no targets were fixed for each of the prisons to refer cases to the Lok Adalats prescribed by the PAC. Further, in respect of other units test-checked, we observed that Lok Adalat Camps had not been conducted.

The Government replied (December 2015) that the matter would be brought to the notice of District Judges concerned who are members of the Legal Aid<sup>62</sup> of the concerned jails.

**Recommendation-5:** Targets of cases for each prison for referring to the Lok Adalat need to be fixed based on the cases pending in each prison so as to maximise clearance of backlog.

**(b) Producing undertrials through video conference**

With a view to dispense with the need for physically producing the undertrials in court, the Department introduced video conferencing (April 2004). In the State, the video conference system has been provided in 29 jails only. In the units test-checked, except in Bengaluru, where 43 *per cent* of prisoners were produced through video conference, we observed that the undertrials produced through video conference was less compared to undertrials produced through police escort (**Appendix-4.4**). Further, we observed that in three prisons<sup>63</sup>, the video conference system was non-functional.

The Government replied (December 2015) that the department has represented to the Technical Committee of the Honourable High Court of Karnataka for utilising the video conference system on a large scale. It has been further stated that the Honourable High Court has issued directions to the concerned District and Session Judges in this regard.

**Recommendation-6:** Awareness on the advantages of producing undertrials in courts through video conference should be created in order to encourage utilisation of video conference equipment. There should be coordination between Government and judiciary in this regard.

<sup>62</sup> Legal aid is one of the services given by KLSA for economically weaker section of people. The District Judge who heads KLSA is also member of Legal Aid.

<sup>63</sup> Dharwar, Belagavi and Shivamogga

#### **4.1.2.3** *Escape of prisoners from custody*

Prison authorities are required to ensure safe custody and security of prisoners through effective watch/surveillance over their movement, verification during exit from or entry into barracks and cells and confining in iron where warranted (Paragraph 251, 253 and 265 of Prison Manual, 1978 and Rule 119 of Karnataka Prison Rules).

**Audit findings:** Recurring feature of prisoners escaping from jails indicated non-compliance with controls prescribed for ensuring safe custody / safety of prisoners.

**PAC recommendations:** In order to prevent prisoners from escaping, PAC recommended increased vigilance through patrolling; installation of CCTV cameras; increasing the height of prison walls; establishing courts in highly populated prisons; investigating and taking action against the officers/staff responsible for escape of prisoners; and conducting quarterly review at the Government level; and initiating action to recapture escaped prisoners.

**Findings of follow-up audit:** Government initiated action in respect of two recommendations given by the PAC. The inadequacy of these actions is discussed below.

##### **(a)** *To increase the height of prison walls*

During 2010-15, though private security personnel and home guards were appointed to guard the prisons, 95 prisoners had escaped across Karnataka. Out of 95, while 45 prisoners had escaped from custody of various prisons, 50 prisoners had escaped while being escorted by the police for being produced before the courts. It was observed that in none of the 14 test-checked prison units, the height of the wall had been increased.

The Government replied (December 2015) that since most of the prisons in the State are old and were structurally not strong, hence, based on the availability of budgetary allocation and also wherever it was technically and structurally possible, action is being taken to increase the height of prison wall to 18 feet. In addition, Government stated that installation of barbed wire fencing on the main compound wall of the five central prisons and three district prisons has been undertaken.

Though action to enhance security of the prison was laudable, however, as per provisions laid down in paragraph 679 and 680 of the Karnataka Prison Manual, 1978, a detailed investigation was required to be conducted in each case of escape and disciplinary action taken against persons responsible for the escape. The Government, in its action taken report to the PAC recommendations, stated that disciplinary action was being initiated against persons responsible for the escape of prisoners.

<p><b>Recommendation-7:</b> Necessary action may be taken to increase the height of the wall and to the desired level at the earliest, besides taking disciplinary action against defaulting officials responsible for the escape of prisoners.</p>
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**(b) Conducting quarterly review meeting at the Government level**

A Committee under the chairmanship of Principal Secretary, with five other members, was constituted (February 2013) to review the action to be taken to recapture the prisoners who had escaped from various prisons across the State. Though the committee was constituted in 2013 itself, it had not even met once until December 2015.

The Government replied (December 2015) that meetings would be conducted henceforth. Thus, there is need for quarterly review meeting at Government level in this regard.

**4.1.2.4 Medical Facilities**

Section 4 of the Karnataka Prisons Act, 1963, stipulates that a Medical Officer of the rank of Assistant Surgeon may be appointed in a Central Prison, District Prison and Borstal School to attend to the health and cleanliness of prisoners, treatment of the sick, hygiene of the prisons, *etc.*, and all other matters connected with the health of the staff and inmates of the prison. The post of Medical Officer was to be filled up through deputation from the Department of Health and Family Welfare Services (HFW).

**Audit findings:** Medical records such as Medical Treatment Register, Hospital Roll and Prescription Book, Case Book *etc.*, in respect of medical history of the prisoners were not maintained.

**Audit recommendation:** To appoint doctors and specialists in order to provide adequate medical facilities to prisoners.

**Findings of follow-up audit:** According to the statutory provisions laid down in the Karnataka Prisons Act, 1963, the Department was to have a sanctioned strength of 28 Medical Officers. The Department, however, had only 18 sanctioned posts against which 12 posts remained vacant. In addition, the Karnataka Prisons Manual, 1978, provided for attendance of Visiting Medical Officers, and the All India Committee on Jail Reforms in its report recommended for a psychiatrist in each Central and District Prison as well as hospital accommodation for five *per cent* of the daily average inmate population. In this connection, we observed that against the requirement of 27 psychiatrists, only two posts were sanctioned which were vacant for the past three years.

We observed the following in the units test-checked:

- While regular doctors were posted in three central prisons, a doctor on consolidated payment basis was working in one<sup>64</sup> central prison.
- During 2014-15, doctors appointed for the implementation of the telemedicine project were attending to general outpatient cases of one<sup>65</sup> central prison.
- In four out of five district prisons test-checked, government doctors from District Hospitals were visiting the prison once a week. In three sub-jails

<sup>64</sup> Mysuru

<sup>65</sup> Belagavi

test-checked, however, no doctors were visiting despite requests by the prison authorities.

- Posts of doctors were not sanctioned in four<sup>66</sup> out of five district prisons or sub-jails.
- There was no lady Medical Officer in any of the prisons test-checked.
- With regard to provision of hospital accommodation, against requirement of a total of 85 beds for seven out of the 11 Central/District prisons test-checked, there were no beds in any of the prisons except District Prison, Shivamogga, which had one bed. In the balance four prisons, there was a shortfall of 44 *per cent* of the required bed strength.

The Government replied (December 2015) that the Department of Health and Family Welfare had been requested for filling up the posts of Medical Officers.

**Recommendation-8:** Government should ensure adequate bed strength, and posting of Doctors as prescribed for the Prison Hospitals to cater to the requirements of the prisoners.

#### **4.1.2.5 Constitution of Board of Visitors**

A Board of visitors is required to be constituted for each prison. It has to inspect the prison once a week to ensure that the management of the prison and prisoners is carried out in accordance with the prescribed rules and procedures. The Board is required to meet once in a quarter.

**Audit findings:** The Board of Visitors was not constituted.

**Audit recommendation:** Immediate action is necessary to constitute the Board of Visitors.

**PAC recommendation:** Immediate action to be taken to constitute the Board of Visitors.

#### **Findings of follow-up audit:**

We observed that in two prisons test-checked (Kolar and Tumakuru) (Women), the Board of Visitors had not been constituted. In the remaining nine prisons, although the Board of Visitors were constituted, as against 180 meetings due (quarterly meetings required by each Board), only 14 meetings were conducted. Prison authorities attributed the shortfall to non nomination of non-official members by the respective District Commissioners and further stated that efforts would be made to convene meetings in consultation with the concerned District Commissioners.

The Government (December 2015) replied that action would be taken to constitute the Board across all prisons after obtaining a list of non-official members from the districts.

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<sup>66</sup> Chikkaballapura, Kolar, Ramanagara and Tumakuru

**4.1.3 Conclusion**

The PAC after discussing the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2004, gave detailed recommendations (December 2009) in its Fifth Report. Even though more than five years have elapsed, the above findings indicate that the Government had taken certain initiatives to implement the recommendations of the Public Accounts Committee, however, the measures taken were inadequate and much more action needs to be taken to ensure that the internal control systems in the Prisons are made effective.

In this regard, to ensure more effective implementation, Government needs to update and revise the Karnataka Prisons Manual, 1978, to keep it valid for the present times; issue detailed guidelines for the upkeep and usage of the sophisticated electronic equipment purchased, and ensure their effective use; ensure strict adherence to the guidelines for checking of prohibited articles and also ensure that equipment such as CCTV cameras and jammers are maintained to ensure proper functioning. Usage of video conferencing facilities with regard to producing undertrials to courts should be encouraged; and for speedy disposal and reduction in pendency of cases, the benefits from Lok Adalats should be maximised. The Government should also provide adequate medical services/counselling for the prisoners by ensuring availability of adequate numbers of doctors, medical staff and counsellors. Only then will the security, health and safety aspects required be taken care of, and also progress made by speedy disposal and clearance of pending cases.

## Department of Women and Child Development

### 4.2 Implementation of Juvenile Justice Act, 2000

#### 4.2.1 Introduction

Children represent 39 percent of the total population of the country and their nurture and well-being are the Nation's responsibility. Hence, the Constitution of India recognises the vulnerable position of children and their right to protection. Article 15 of the Constitution guarantees special attention to children through necessary and special laws and policies that safeguard their rights. In this regard, India has adopted a number of laws and formulated a range of policies to ensure children's protection and improve their condition which include the Juvenile Justice (Care and Protection of Children) Act (JJ Act), 2000.

With 4.39 per cent of the population of children in the country, Karnataka stands 10<sup>th</sup> in the state-wise distribution of children population. Following the JJ Act, 2000, which was amended in 2006, the State Government framed (June 2010) the Juvenile Justice (Care and Protection of Children) Rules (JJ Rules), 2010.

The JJ Act, 2000, was enacted to consolidate and amend the laws relating to two categories of children viz., children in conflict with the law and children in need of care and protection. It also envisaged better treatment of children and catering to their development needs, by adopting a child-friendly approach in the adjudication and disposition of matters to the best interest of children and for their ultimate rehabilitation through various institutions<sup>67</sup> established under this enactment.

Children in need of care and protection are produced before Child Welfare Committees (CWC) by any Police officer, any public servant, child line, social worker, public spirited citizen and by the child on their own, are kept in the Reception Unit pending enquiry by the CWC. After enquiry the child is either reintegrated with family or is sent to Children Homes for rehabilitation.

Children in conflict with the law are produced before Juvenile Justice Boards (JJBs) by the Police and are kept in Observation Homes or sent on bail, pending enquiry. After enquiry, the child is either acquitted or kept in Special Homes for rehabilitation. Children discharged from Children Homes/ Special Homes are sent to After Care Centres for higher education, ITI training, etc.

The Compliance Audit covering the period 2010-15 was conducted during February to June 2015 to assess compliance with the provisions contained in the JJ Act, 2000, and JJ Rules, 2010, and also the working of Child Care Institutions towards protection, welfare and rehabilitation of neglected children and children in conflict with the law. The methodology adopted for

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<sup>67</sup> Child care institutions (CCI) viz., Observation Homes, Children Homes, Special Homes, After Care Centres, Fit Institutions and Shelter Homes.

audit included scrutiny of files and documents, issue of audit enquiries/questionnaires, examination of records, discussion with officers/officials at various levels and joint inspections of Child Care Institutions (CCI) along with the Officers of the Department. Probability proportional to size without replacement method was adopted for selection of five<sup>68</sup> out of 30 districts in Karnataka. In order to assess the working of CCIs, 16 CCIs run by the Government and 12 CCIs managed by Non-Government Organisations (NGOs) in the five districts test-checked (**Appendix-4.5**) were visited.

## Audit findings

### 4.2.2 Implementation of JJ Act, 2000

For the effective implementation of JJ Act, 2000, the Karnataka State Integrated Child Protection Society (Society) and State Child Protection Unit (SCPU) at the State level and the District Child Protection Unit (DCPU) in each district have been constituted (February 2011). The Principal Secretary, Women and Child Development Department (Department), is the Chairman of the Society and exercises overall control. The Director of the Department is the Member Secretary of the Society and is responsible for administration of the JJ Act, 2000, and JJ Rules, 2010, and is assisted by the Project Director in the Directorate and 30 DCPUs in the District. The observations in this regard are brought out in subsequent paragraphs.

#### 4.2.2.1 Karnataka Children's Fund

Section 61 of JJ Act, 2000 read with Rule 90 of JJ Rules, 2010, specifies creation of a Fund known as 'Karnataka Children's Fund' at the State level by the State Government for the development and rehabilitation of the juvenile or the child dealt with under the provisions of the Act. Besides donations, contributions and subscriptions, the Central Government also has to contribute to the Fund. The Fund was to be applied for implementing programmes for the welfare, rehabilitation of juveniles/Children, providing medical aid, scholarships/fees for higher education *etc.* We observed that though Karnataka Children's fund was created (September 2011) with the initial deposit of ₹ one lakh, no guidelines have been issued for utilisation of the fund amount. Hence, as at the end of March 2015, the fund had a balance of ₹34.31 lakh without any utilisation towards welfare of juvenile or children in need of care and protection.

#### 4.2.2.2 Juvenile Delinquency

As per data compiled by the State Crime Records Bureau, during 2010-13, the number of crimes committed by Juveniles in Karnataka was 1,168. Of these, the largest number of juveniles indulged was in theft (25.86 *percent*), followed by burglary (14.21 *per cent*), hurt (9.25 *per cent*), murder (7.71 *per cent*), attempt to murder (5.05 *per cent*) and robbery and rape (4.54 *per cent*). From 2010 to 2013, the number of juveniles apprehended, especially those

<sup>68</sup> Bengaluru, Ballari, Mysuru, Shivamogga and Vijayapura

belonging to the age groups 13-16 and 17-18, increased significantly (**Appendix-4.6**).

#### **4.2.2.3 Non-assessment and non-creation of database of children in need of care and protection and in difficult circumstances**

Rule 86 of the JJ rules, 2010 specifies various functions of the DCPUs. The functions included identifying children at risk, children in need of care and protection, assessment of the number of children in difficult circumstances and creation of a district specific database. In the State, the Department of Sociology of various Universities conducted a need assessment survey on behalf of DCPU. Out of 30 DCPUs in the State, Audit observed that while a need assessment survey was not carried out in nine districts, the need assessment survey carried out in 21 districts was pending approval and follow up action by the Department of Women and Child Development.

Further, as per the terms of reference for the preparation of need assessment survey, the survey had to contain details of various categories of children in need of care and protection *viz.*, children living with a single parent, children living on the street, children involved in begging, HIV infected and affected children, abused children, child labour *etc.* Scrutiny of the need assessment survey in the test-checked five districts revealed that none of the surveys had details as per terms of reference.

#### **4.2.2.4 Inadequate services provided to children in need of care and protection**

The need assessment survey of the test-checked five districts revealed that the Department had provided care and protection services to only 15.63 *per cent* of the children identified, which included both institutionalised<sup>69</sup> and non-institutionalised<sup>70</sup> children. The number of children who were provided with care and protection services in the test-checked five districts in the last five years are detailed in **Table-4.1**.

**Table-4.1: Number of children who were provided with care and protection during 2010-15**

District	Children in need of care and protection	Children provided with care and protection services	Percentage
Bengaluru	Survey not conducted	11,385	--
Ballari	15,707	1,573	10
Mysuru	14,275	2,856	20
Shivamogga	5,332	1,090	20
Vijayapura	Survey not conducted	1,530	--

(Source: Information provided by the Department)

<sup>69</sup> Includes placement of children in children homes, observation homes, open shelters and fit institutions.

<sup>70</sup> Includes foster care, adoption, sponsorship and placement with parents.

### 4.2.3 Functioning of Juvenile Justice Board (JJB) and Child Welfare Committees (CWC)

#### 4.2.3.1 Juvenile Justice Board

Section 4 of the JJ Act, 2000, read with Rule 8 of JJ Rules, 2010 specifies constitution of a JJB in each district for exercising powers and discharging the duties conferred or imposed on JJBs in relation to juveniles in conflict with law and that the JJB should hold its sittings in the premises of an Observation Home having jurisdiction over that district, and in no circumstances should it operate from within any court premises. Also, the rules specify that every enquiry by the JJB in relation to a child in conflict with the law has to be completed within a period of four months and only in exceptional cases, the period may be extended by two months. Further, it also specified that delay beyond six months except where the nature of the alleged crime was serious, led to termination of the proceedings.

In this regard, we observed the following:

- In 14 districts, Observation Homes have not been set up and the JJBs in these districts were functioning from the premises of Children Homes.

The Government, while accepting audit observations (December 2015), stated that action would be taken to construct Observation Homes based on availability of space.

- Out of the five districts test-checked, while the JJBs at Mysuru and Vijayapura held their sittings in the office of the Superintendent as there were no separate rooms available for the JJBs in Observation Homes, the JJB at Ballari held its sitting on the court premises as no infrastructure was available in the Observation Home of the said district.

- The records of the society revealed that at the end of March 2015, there were 2,350 cases pending for more than four months with JJBs. Out of 2,350 cases, 1,567 cases pertained to the five districts test-checked. On scrutiny of these 1,567 cases, we observed that 819 cases were pending at the enquiry stage, out of which 599 cases were pending for the period ranging from one to 20 years. Remaining 748 cases were pending with JJB, and out of these, 616 cases were pending for a period ranging from one to 15 years. Further, out of 1,567 cases pending, 359 cases related to non-serious crimes.

The Government attributed (December 2015) the delay for clearing the cases to non-receipt of charge sheet/First Information Report, non-appearance of the juveniles who were granted bail, witnesses not coming forward *etc.*

- The free legal service to be extended as per rules under JJ Rules, 2010, by the legal officer in the SCPU/District Legal Service Authority to the juvenile for defending his case was not provided in any of the five districts test-checked except in Bengaluru (Urban).

#### **4.2.3.2 Child Welfare Committee (CWC)**

Section 29 of the JJ Act, 2000, read with JJ Rules, 2010, specifies constitution of a CWC in each district and the CWC should hold its sittings in the premises of a Children Home by rotation in any of the Children's Home in the district. Further, it specifies that the Children Homes should have two rooms of 300 sq ft each, with one room to be used for sitting and the other as waiting room for children and their families. Also, the rules specify that when a child is presented before the Committee, it should assign the case to a social worker/case worker/child welfare officer/officer-in charge as the case may be, of the institution for conducting the enquiry and submitting a report containing an individual care and rehabilitation plan. Further, it specifies the enquiry to be completed within four months unless special circumstances do not permit that.

In the five districts test-checked we observed the following:

- While two CWCs in Shivamogga and Ballari had their sittings in the premises of the Children Home, the space consisted of only one room. There was no waiting room for children and their parents. The CWC of Bengaluru (Urban) had a waiting room, but the space was less than the mandatory 300 sq ft and did not have the necessary furniture.
- Further, records of the Society revealed that there were 565 cases pending disposal, of which 196 cases pertained to the five districts test-checked. We observed that 41 cases were pending for more than one year in the test-checked districts, thereby keeping the children out of the individual care and rehabilitation plan.

### **4.2.4 Working of Child Care Institutions**

#### **4.2.4.1 Child Care Institutions running without registration**

Section 19 of the JJ Amendment Act, 2006, stipulated all CCIs, whether run by the Government or a Non Government Organisation (NGO), to register themselves within six months from the date on which the above act came into effect. Further, the Honourable Supreme Court of India, in its order on Writ Petition (Crl) No 102 of 2007, in the matter of exploitation of children in Juvenile orphanages in the State of Tamil Nadu vs Union of India and others, directed (February 2013) all CCIs to get registered under the JJ Act, 2000. Also, the Ministry of Women and Child Development directed (July 2014) all the State Governments to conduct a survey at the district level to identify CCIs not yet registered and urge them to get registered under the JJ Act.

However, surveys as per the directions of Ministry of Women and Child Development were yet to be conducted in the State by the Department of Women and Child.

In the five districts test-checked, we observed the following:

- Out of 329 CCIs who had applied for registration with the Department of Women and Child, 117 applications were approved, applications from 109

CCIs were pending<sup>71</sup> for approval and applications pertaining to 103 CCIs were rejected for not complying with standards. However, we observed that all the 212 CCIs whose applications were either pending approval or were not approved, were running without registration.

- Further, the Society had released grant amounting to ₹74.61 lakh during 2010-15 to six CCIs run by NGOs not registered under the JJ Act, 2000 (**Appendix-4.7**).

#### 4.2.4.2 Homes for children with special needs

As per rule 39 of the JJ Rules, 2010, the State Government needs to establish a home for destitute, mentally challenged children and children with disability. The home for these children should be a comprehensive care and rehabilitation center with infrastructure and other facilities sensitive to their needs.

We observed that, while the State Government had established four children homes for mentally retarded children and extended a grant to one NGO running a children's home for mentally retarded children, no children homes were established for children with other severe disabilities and children affected and infected with HIV.

Review of records of one<sup>72</sup> out of two children's home for mentally retarded children in the five districts test-checked, revealed the following:

- Except for one paramedical staff taking care of 50 mentally retarded children in the said children home, no house mother or house father was appointed, as was mandatorily required.
- Further, rule 48 of JJ Rules, 2010, specifies a mental health care plan to be developed for each child by the social worker or case worker, in consultation with mental health experts associated with the CCI, and their recommendation being integrated with the individual care plan of the child. However, no such care plans were prepared and hence submission of the care plans to the Management Committee and CWC did not arise.
- As the post of trained counsellor remained vacant and also as there was no collaboration with external agencies, no specialised and regular individual therapy was given to the children in the CCI.
- There was no tie-up with local Primary Health Centres, Government Hospitals and other hospitals, Medical colleges, Mental health Institutes for regular visits by their doctors, students, clinical psychologists and psychiatrists for holding periodic health camps within the CCI.

The Government, while accepting (December 2015) the lacunae, stated that they would take measures to comply with the same. Further, the Government stated that a pilot project for rehabilitation of mentally retarded children was underway at Children Homes for mentally retarded Children, Bengaluru. After examining the results of the programme, it would be extended to other Homes.

<sup>71</sup> Out of 109 cases, 63 cases were pending for more than one year and less than five years, and eight cases were pending for more than six months but less than one year.

<sup>72</sup> Children's home for mentally retarded children (boys), Ballari

#### **4.2.4.3 Non observance of procedure for admission and release of children**

The JJ Rules, 2010, specify that any person/organisation authorised to receive a child in need of care and protection should produce the child before the CWC with the report on the circumstances under which the child came to his/their notice. After completion of the enquiry, the CWC should make appropriate order for the placement of child with the Children Home/Fit Institution/Fit persons.

In the five districts test-checked, we however observed that during 2010-15, 1,025 children of four<sup>73</sup> CCIs were admitted and released without the orders of the CWC.

#### **4.2.4.4 Segregation of children in CCI**

According to Rule 42(2) of JJ Rules, 2010, homes for juveniles in conflict with the law and children in need of care and protection are to function from separate premises.

Out of five districts test-checked, in one Observation Home in Vijayapura, children in need of care and protection were housed along with juveniles in conflict with law.

Further, Rule 14 and 15 of JJ Rules, 2010, state that Observation Homes as well as Special Homes should have separate residential facilities (for both boys and girls), in accordance with the degree of offence and age.

However, in the five districts test-checked, it was observed that in four<sup>74</sup> out of six Special/Observation Homes, no segregation of juveniles in accordance with above mentioned rules were carried out, and all the children were kept in a single dormitory.

Government replied (December 2015) that such isolation amounted to imprisoning of children and hence were allowed to mingle with each other during the day. The reply was not acceptable as the rule mandated separate residential facility based on the offence and age.

#### **4.2.4.5 Children's participation**

Rule 59 of JJ Rules, 2010, specify the setting up of a Children's Committee by the officer-in-charge of a CCI for three different age groups viz., 6-10 years, 10-15 years and 15-18 years. The officer-in-charge has to encourage the Committee to participate in improving the conditions of institutions, review standard of care followed, report abuse and exploitation by peers/care givers and also participate in the management of institution.

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<sup>73</sup> Bosco Yuvodaya Open Shelter, Bengaluru; YMCA Open Shelter, Bengaluru; Bijayalakshmi Education and Welfare Society, Vijayapura and Anatha Shishu Nivasa, Bengaluru

<sup>74</sup> Observation Homes, Shivamogga, Ballari and Mysuru; Special Home, Bengaluru

In the five districts test-checked, we however, observed that eight out of 16 Government run institutions and six out of 12 NGO run institutions had not constituted a children's committee. This prevented the children from participating in the improvement of the conditions of the institution, reviewing the standard of care provided at the institution, being involved in the management of the institution, expressing their views creatively *etc.*

#### **4.2.4.6 Death of juvenile or child**

Rule 62 of the JJ Rules, 2010, state that, in the event of the death or suicide of a juvenile or child in an institution, the institution should ensure that an inquest and post-mortem examination is held at the earliest. Further, in the case of natural death or death due to illness of a juvenile or child, the officer in charge should obtain a report of the medical officer stating the cause of death and a written intimation of the death has to be given immediately to the nearest police station, the board or committee, the State Human Rights Commission, the State Commission for protection of Child Rights, the SCPU and the parents or guardians of the juvenile or child.

In the five districts test-checked, we observed that during 2010-15, though three children from three Children Homes<sup>75</sup> for boys had expired, this was not reported to the police station, the State Human Rights Commission and the State Commission for Protection of Child Rights. Further, the cause of death of a juvenile in a Children Home for boys in Bengaluru, was yet to be ascertained even after expiry of one and half years. Government replied (December 2015) that efforts are being made to get the forensic report. The death of a juvenile in a Children Home for boys in Mysuru was however, due to delay in hospitalisation.

#### **4.2.4.7 Leave or absence of a juvenile or child**

Rule 65 of the JJ Rules, 2010, prescribe a maximum of 15 days of leave to a juvenile or child in a CCI for examination or admission, special occasions like marriage, event of death or accident or serious illness in the family. On their non-return to the institution on expiry of the sanctioned leave, the Board or Committee has to refer the case to the police to bring the juvenile or child to the institution.

In the five districts test-checked, it was observed that during 2010-15, 21 children of two<sup>76</sup> Children Homes who went on leave did not return to their respective homes and the Committee of the respective Children Home did not refer the case to the police as envisaged in the rules, nor initiated any action to bring the children back to the Children Homes. Government replied (December 2015) that it would initiate action to conduct social investigation of children who have not returned after completion of leave.

<sup>75</sup> Children Home for boys, Bengaluru ; Children Home for boys, Mysuru and Children Home for boys, Shivamogga

<sup>76</sup> Children Home for boys and girls, Vijayapura

#### **4.2.4.8 *Escape of Children from Government run Child Care Institution***

Rule 19(2) of the JJ Rules, 2010, specify that in the event of escape of a juvenile or a child, the officer-in-charge should lodge a complaint in the jurisdictional police station or special juvenile police unit immediately with a copy to the Board and other authorities concerned, besides conducting search of the child and intimating the parents/guardians. Further, the case worker has to specify the security lapses, if any, and take action in this regard, as well as analyse the reasons for the escape and suggest a suitable programme to the officer in charge for prevention of such incidents.

On scrutiny of the records of the five districts test-checked, it was observed that during 2010-15, 224 children had escaped from nine Government run CCIs and out of 224, only 109 children were traced with 115 children yet to be traced. Further, review of records of the Government Home for boys, Bengaluru, where maximum number of escapes was reported revealed the following:

- Out of 92 children who escaped from the institution, 66 children remained untraced till date.
- Further, though transfer of juveniles to the place nearest to their native place was ordered in respect of 13 children who belonged to other states between 17 January 2014 and 26 December 2014, the orders were not implemented. All the 13 children escaped from the institution on a single day (29 December 2014) out of whom 11 were traced and two untraced.
- The children had escaped using hacksaw blades and metal cutters, which are restricted items inside the Children Homes as per the provisions under the JJ Act/rules.
- No other security measures were in place except for security guards engaged through a private security agency.

The institution did not make any report on the security lapses and also did not carry out an analysis of the reasons for the escape.

#### **4.2.4.9 *Abuse or exploitation of a juvenile or child***

Rule 63 of the JJ Rules, 2010, specify that every CCI should have a system to ensure that there is no abuse, neglect or maltreatment, and in the event of any abuse, the officer in charge should report the same to the Management Committee, JJB, CWC who in turn has to order a special investigation. Further, if the complaint is against the staff of the institution, such staff is required to be suspended pending inquiry.

The records of the Karnataka State Commission for Protection of Child Rights revealed that 17 cases of child rights violation were reported during 2010-15 viz., physical and sexual abuse, and neglect and maltreatment of children. However, no action was taken and further, it was observed, that in many cases the violation was committed by the members/staff of institution/JJBs/CWCs themselves.

Government replied (December 2015) that in a few cases, action to suspend the offenders had been initiated and further stated that the State Government or NGO were protected under Section 67 of the JJ Act, which stated that no suit or legal proceedings could be initiated against the State Government or NGOs running the home or any officer and the staff of such institutions in respect of anything which is done or intended to be done in good faith. The reply, however, is not acceptable as the violence, abuse, neglect and maltreatment reported are criminal/cruel acts and are not acts of good faith. Hence action under section 23 supercedes section 67 of JJ Act which relates to punishment for cruelty to juvenile or child, and action should be considered accordingly.

#### 4.2.5 Findings of Joint Inspection of CCIs

The JJ Act, 2000, provides for institutional mechanisms, *viz.*, Children Homes, Fit Institutions and Shelter Homes, for extending care and protection to children in need of them. Further, the JJ Act as well as JJ Rules prescribes minimum standards of care for all the CCIs.

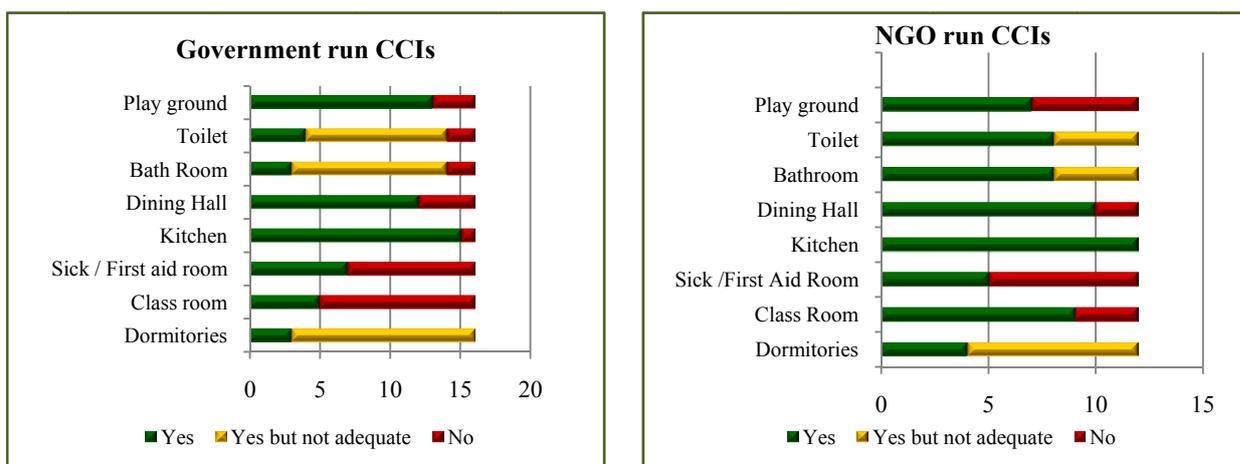
In the five districts test-checked, audit visited 16 Government run CCIs and 12 NGO run CCIs. The audit findings are discussed in subsequent paragraphs.

##### 4.2.5.1 Basic Infrastructure

Rule 42 of the JJ Rules, 2010, specify providing sufficient and safe accommodation for classroom, kitchen, dormitories *etc.*, with sufficient cross ventilation and sunlight. It also stated that the CCIs should be child friendly and they should not look like a jail or lock up. Joint verification, however, revealed the following:

- The Children Home for boys (senior), Vijayapura functioned from an abandoned jail constructed during 1920 and the dormitories were in dilapidated condition without proper doors, windows, adequate lighting and ventilation facilities.
- The Observation Home, Ballari, had one dormitory without any other facilities and the children were kept locked up almost around the clock.
- The Observation Home, Mysuru, was run from a rented building which had a dormitory area of 120 sq ft for 25 children.
- The basic infrastructure of one NGO run institute in Bengaluru was inadequate as it accommodated 89 children against the sanctioned capacity of 50.
- The status of CCIs (both Government and NGO run) with respect to basic infrastructure is indicated in **Chart-4.1**.

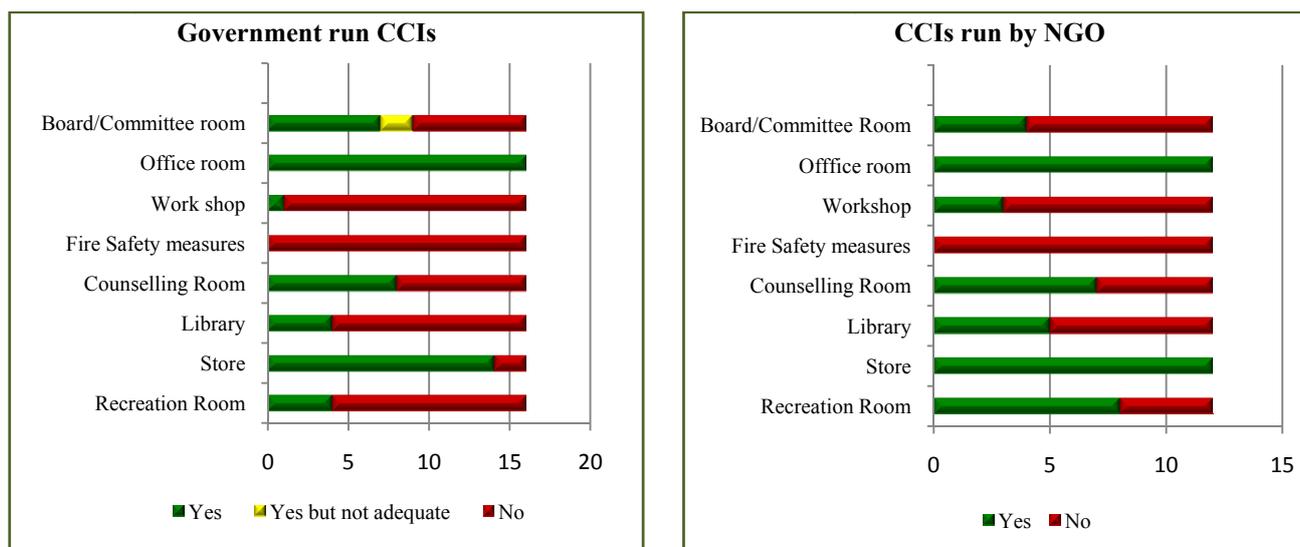
**Chart-4.1: Status of basic infrastructure in the CCIs visited**



**4.2.5.2 Other infrastructure**

The findings regarding status of other infrastructure such as recreation room, store, library, fire safety measures *etc.* are indicated in **Chart-4.2**.

**Chart-4.2: Other infrastructure in both Government run and NGO run CCI**



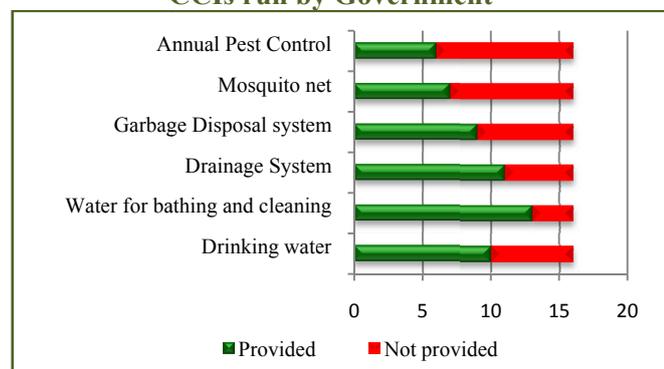
Government replied (December 2015) that necessary action would be initiated to assess the status of infrastructure and a plan of action would be drawn up to address the inadequacies in CCIs.

**4.2.5.3 Sanitation and Hygiene**

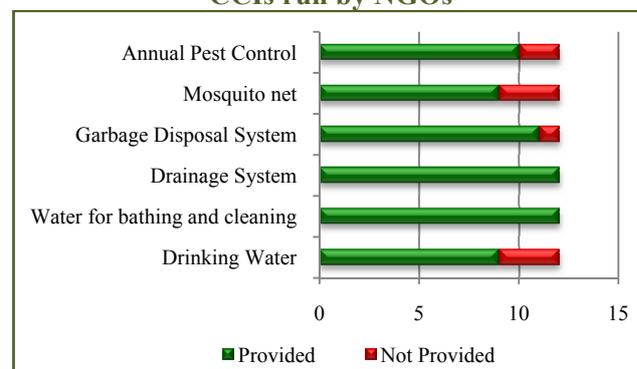
The JJ Rules, 2010, provide for every CCI to have sufficient treated drinking water filters, proper drainage systems, arrangement for disposal of garbage, mosquito control *etc.*

The findings in the visited CCIs are depicted in **Chart-4.3** and **Chart-4.4** below.

**Chart-4.3: Sanitation and Hygiene provided by the CCIs run by Government**



**Chart-4.4: Sanitation and Hygiene provided by the CCIs run by NGOs**



Government replied (December 2015) that necessary action would be initiated to assess the status of infrastructure and an action plan drawn up to address the inadequacies in CCIs.

Though the Department had received ₹3,475.55 lakh for construction of Government Homes, for Fit Institutions and Open Shelters, it had released only ₹2,402.10 lakh and there was a balance of ₹1,073.45 lakh as at the end of March 2015. Thus, the Department, by not utilising the grants for the intended purpose, could not extend even the basic facilities adequately to the children. Government replied (December 2015) that during the current year action was taken to procure sites and construct buildings.

#### 4.2.6 Inadequate manpower

The JJ Act, 2000, and JJ Rules 2010, prescribe a staffing pattern for Children as well as Observation Homes. The staff position of Government run CCIs in the five test-checked districts are details in **Table-4.2**.

**Table-4.2: Sanctioned and working strength of Government run CCIs in the five test-checked districts**

Sl. No.	Name of the Post	Staff Strength required as per the JJ Act	Sanctioned Strength	Working Strength
1	Superintendent	16	16	07
2	Counsellor	66	08	06
3	Caseworker	66	01	01
4	Probation Officer	66	24	15
5	House Mother/Father	132	33	22
6	Teacher	66	48	15
7	Art & Craft cum Music Teacher	35	12	03
8	PT cum Yoga Instructor	35	02	03
9	Doctor	35	14	06
10	Paramedical Staff	35	19	15
11	Cook	66	22	17
12	Accountant	35	25	23
13	Helpers	66	32	32
14	Guard/ Sweeper	66	33	29
	<b>Total</b>	<b>785</b>	<b>289</b>	<b>194</b>

(Source: Information provided by the Department)

From the table, it is seen that in almost all the posts, working strength is much less than the sanctioned strength. We further observed that the sanctioned strength was less than the staff strength prescribed in the JJ Act. This resulted in poor/non-implementation of the act as prescribed. The deficiencies observed are as follow:

- The Probation Officer as per JJ Rules, 2010, is required to periodically visit the family or the place of stay of the juvenile or child for a period of three years to assess the impact of the rehabilitation programme. Further, he is also required to assess the character of the juvenile, relationship with family members, and behaviour with the community, fortnightly. However, we observed that the post of POs were not sanctioned in four out of 16 test-checked Government run CCIs. Further, the 15 POs were posted only in nine test-checked Government run CCIs. Hence, assessment of rehabilitation programme was not conducted in six test-checked Government run CCIs. The Government replied (December 2015) that instructions have been issued to submit the report on assessment in time. It was, however, silent on the issue of non-sanction of the posts, as well as non-recruitment of POs.
- Every CCI has to facilitate useful vocational training under the guidance of a trained instructor as prescribed in the JJ Rules, 2010. However, we observed that against 35 instructors required as per norms of the Government of India, in the 16 visited CCIs run by Government, only 12 posts were sanctioned and against which only three were filled. However, vocational training was not imparted in all the CCIs run by the Government. Government replied (December 2015) that it was not possible to give training with one instructor as he would be expert in only one single field. It further stated that it proposed to impart vocational training for the children with various aptitudes with the help of outside professionals.
- The daily routine of a child in the Children Home as per JJ Rules, 2010, includes educational classes as well as moral education in the Children Home. We, however, observed that in the 16 visited Government run CCIs there were only 15 teachers against the sanction for 48 teachers. Government replied (December 2015) that the children in the CCIs were sent to the regular schools in order to mainstream them with the other regular children and the teachers appointed were imparting additional classes to the children of CCIs.
- Due to non-filling up of eight posts of doctors and four posts of paramedical staff, neither monthly medical check-up nor medical records were maintained in 10 out of 16 visited Government run CCIs. Also, no staff of 14 out of 16 Government run CCIs visited were trained for first aid. Government replied (December 2015) that Government Order fixing honorarium for visiting Medical Officers was issued during September 2015 and also it was proposed to place before the Executive Committee of the Society a proposal to increase the said honorarium.
- Against requirement of 66 counsellors in the 16 Government run CCIs visited, only eight posts were sanctioned, against which six were filled. Hence, professional counselling was not provided in 10 out of 16 Government run CCIs.

Thus, from the above it is evident that lack of adequate manpower hampered in providing care and protection services. Government replied (December 2015) that Government had appointed 12 Superintendents in the five test-checked districts and also had posted four First Division Clerks and 19 Second Division Clerks in the CCIs of the five test-checked districts. Further, it also stated that action was initiated to fill up posts of House Father and Mother. In addition, directions were issued to all the Deputy Directors of the districts to appoint cooks, guards, peons and sweepers. Also, the Society stated that necessary steps would be taken to comply with all other audit observations.

#### **4.2.7 Rehabilitation and Social Reintegration**

The rehabilitation and social reintegration of a child begins during its stay in a children's home or special home. The rehabilitation and social reintegration of children is carried out by adoption, foster care, sponsorship and sending the child to an after-care organisation.

##### **4.2.7.1 Adoption**

According to section 41(2) of the JJ Act (Amended), 2006, adoption should be carried out through institutional and non-institutional mechanisms for the rehabilitation of children who are orphaned, abandoned, neglected or abused. Further, Rule 35 of JJ Rules, 2010, prescribes that for all matters relating to adoption, the guidelines issued by the Central Adoption Resource Authority (CARA) apply. A study of the mechanism for the adoption of children showed the following deficiencies:

- The JJ Amended Act, 2006, prescribed the State Government to recognise one or more of its institutions or voluntary organisations in each district as specialised adoption agencies (SAA).

No adoption agencies, however, had been recognised in nine<sup>77</sup> out of thirty districts in the State. Government replied (December 2015) that DCPUs were instructed to identify suitable CCIs to function as SAAs.

- The CARA guidelines prescribe that the adoption order be obtained from the competent Court within a maximum period of two months from placing the child for pre-adoptive foster care. It also specifies that after issue of the adoption order, the preparation of the adoption deed and its registration is the responsibility of the SAA concerned. Further, in accordance with the directions of the Honourable Supreme Court of India in the case of L.K.Pandey vs Union of India (WP No 1171 of 1982), the competent court is required to dispose of the case within a maximum period of two months from the date of filing. Also it has been stated in the said guidelines that for the best interests of the child, the competent court may, to the extent possible, dispose of the case in the first hearing itself.

<sup>77</sup> Chitradurga, Chamarajanagara, Chickaballapura, Kolar, Koppal, Kodagu, Raichur, Shivamogga and Yadgir

In respect of 18 children of four<sup>78</sup> SAAs in the five test-checked districts, though action was taken by the SAAs to file the case, the competent court was yet to call for a hearing even after expiry of the prescribed period. Further, in respect of 14 children of two<sup>79</sup> SAAs, we observed that though adoption orders were issued, action to get the adoption deed registered was not taken by the SAAs. Hence, the rights and privileges of adopted children were not ensured. Government replied (December 2015) that now all the 18 cases had been cleared by the Court. Further, it stated that CWCs and CARA would take up the issue with the Honourable High Court and the Ministry of Women and Child Development respectively.

- The CARA guidelines state that all restoration efforts to trace the parents/ biological family of the abandoned child are to be made by the SAA. In this regard, notification in one leading national newspaper along with one regional newspaper has to be made in case of child less than two years; and for child more than two years, in addition to notification in newspapers, announcement in television or radio has to be made. Further, in case of both abandoned as well as surrendered children, a child can be declared legally free for adoption only after expiry of 60 days.

However, in the five districts test-checked, we observed that though notification was made in the local newspaper, none of the SAAs had made a notification in a national newspaper. Further, 27 children who were abandoned in respect of four<sup>80</sup> adoption agencies, and one child who was surrendered, were declared legally free for adoption before expiry of the 60 days waiting period and reconsideration period (in respect of surrendered child). This was in violation of the said guidelines. Government replied (December 2015) that a notice would be issued to all SAAs to strictly adhere to CARA guidelines. According to CARA guidelines, home study of the Prospective Adoptive Parents (PAPs), which is mandatory, has to be conducted within two months from the date of registration by the professional social worker authorised by the SAA nearest to their current place of residence.

On review of records of SAAs in the five test-checked districts, we observed that out of 163 PAPs on the waiting list for adoption (February 2015), home study with respect to 72 PAPs who were registered between March 2008 and November 2014 was yet to be conducted.

- The CARA guidelines specify pre-adoptive counselling to the PAPs by the concerned SAA in order to facilitate them to take appropriate decisions.

In the five districts test-checked, we observed that during 2010-15, pre-adoptive counselling was not given in two<sup>81</sup> Government run SAAs and one<sup>82</sup> NGO run SAA as the post of counsellor was not sanctioned, and where sanctioned, the post had not been filled. We observed that 151

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<sup>78</sup> Sidheswara Vatsalya Adoption Agency, Vijayapura; Government Shishu Gruha, Ballari; Bapuji Children Home, Mysuru and Government Shishu Gruha, Bengaluru.

<sup>79</sup> Bapuji Children Home, Mysuru, Nirmala Shishu Bhavan, Bengaluru

<sup>80</sup> Government Shishu Gruha, Bengaluru; Bapuji Children Home, Mysuru; Sidheswara Vatsalya Adoption Home, Vijayapura and Government Shishu Gruha, Ballari

<sup>81</sup> Government Shishu Gruha, Bengaluru and Ballari

<sup>82</sup> Sidheswara Vatsalya Adoption Home, Vijayapura

children were given for adoption without pre-adoptive counselling in these three institutions.

#### **4.2.7.2 Sponsorship programme**

Section 43 of the JJ Act, 2000, envisages a sponsorship programme to provide supplementary support to families, children's homes and special homes for meeting the medical, educational and other needs of the children with a view to improving their quality of life. Further, Rule 38 of the JJ Rules, 2010, states that the State Government in co-ordination with NGOs has to identify families and children at risk and recommend to the JJBs/CWCs to provide necessary support services to the parents or guardian in the form of sponsorship. After such identification, the JJBs/CWCs are to issue instructions for sponsorship support which is to be disbursed through Observation/Children's homes.

In two districts of the five districts test-checked, audit could not ascertain the adequacy of the coverage of the sponsorship programme as the need assessment survey had not been conducted. In the other three districts, Audit observed that against the need assessment of 35,314, only 1,898 children (5.4 per cent) were covered under the sponsorship programme which is meagre. Government cited (December 2015) budget constraints for not covering all the children identified.

#### **4.2.7.3 After-care organisation**

Section 44 of the JJ Act, 2000, provides for an after-care organisation to take care of juveniles or children after they leave special homes and children's homes to enable them to lead honest, industrious and useful lives. Further, as per this section, separate after-care homes should be set up for boys and girls between 18 and 21 years of age.

On scrutiny of the records, we observed that in 329 CCIs (applied for registration with the Department of Women and Child Development), no after-care organisation has been constituted. Reasons for not establishing after-care organisations were not evident from the records. Non establishment of after-care organisations not only deprived the children from facilities, viz., accommodation, maintenance, educational and vocational guidance, employment opportunities, all round personality development, but also protection from abuse and exploitation. Government replied (December 2015) that girls and boys who were in need of after-care services were transferred to State Homes run by the Department of Women and Child Development and the Department of Social Welfare for further guidance and development. The fact, however, remains that Government has not established After-care Homes.

### **4.2.8 Monitoring and Evaluation**

The JJ Act, 2000, and the JJ Rules, 2010, provide for the constitution of a State Advisory Board and Management Committee, inspection by District Inspection Committee and CWC/JJB, Social Audit and Annual Performance Review of the implementation of the JJ Act which help in monitoring as well

as evaluating the implementation of the JJ Act. On scrutiny, we observed the following:

- The State Advisory Board which was to advise the Government on matters relating to the establishment and maintenance of homes, mobilisation of resources, training and rehabilitation of children in need of care and protection, and juveniles in conflict with the law *etc.*, had not met even once though it had been constituted (August 2011) and headed by the Honourable Minister of Women and Child Development. Government replied (December 2015) that the State Advisory Board had been reconstituted (June 2015) and that the first meeting had been held during August 2015.
- In the five districts test-checked, in nine out of the 16 CCIs run by the Government (**Appendix-4.8**), no Management Committee had been constituted to review the standard of care being followed in the institutions. Government replied (December 2015) that steps would be taken to constitute a Management Committee in all CCIs.
- Inspections were not conducted by the District Inspection Committee in nine out of 30 districts, which included two of the five districts test-checked. In the remaining 21 districts, only 377 inspections were conducted against the requirement of 2,200<sup>83</sup> inspections during 2010-15. These District Inspection Committees were to be constituted under the chairmanship of the Deputy Commissioners of the Districts to review the standard of care and protection being followed in the CCIs and also to look into the functioning of the Management Committees and Children's Committees and give appropriate directions.
- CWCs/JJBs are required to visit CCIs once in three months and suggest necessary action wherever required. We, however, observed in the five districts test-checked, that against the requirement of 1,496<sup>84</sup> inspections, only 68 were made by the CWCs. Government replied (December 2015) that action in this regard has been initiated.
- The State Government needs to conduct Social Audit annually in order to monitor and evaluate the implementation of the JJ Act by reviewing matters concerning the establishment of Boards or Committees, and functioning of CCIs and its staff *etc.* This has to be carried out with the support and involvement of organisations working in the field of mental health, child care and protection, *etc.* Also, an annual Performance Review in respect of the functioning of the Children's Homes in the State has to be conducted. We observed that neither the Social Audit nor the Performance Review had been conducted by the State Government. Government replied (December 2015) that action would be initiated to conduct a Social Audit.

The absence of the constitution of these monitoring mechanisms as envisaged in the JJ Act and JJ Rules, resulted in deficiencies in the implementation of the JJ Act.

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<sup>83</sup> 5 years\*4 per year\*110 institutions

<sup>84</sup> 374 institution\* 4 per year

#### 4.2.9 Conclusion

The objective of the JJ Act is to protect children and bring about improvements in their condition. However, the way this act is being implemented gives rise to serious concerns. The first requirement for effective implementation is to first identify children at risk and who are living in difficult circumstances, so that care and protection may be given in time, and hence identification of such children through a need assessment survey is essential. It was, however, observed that out of the 30 districts in Karnataka, such a survey had not been carried out in nine districts, and in 21 districts, the survey though carried out was still pending approval and hence not finalised. In the absence of a reliable database, the number of children who require care and protection could not be ascertained.

There was also inordinate delay in the clearance of the cases referred to the Juvenile Justice Board as well as Child Welfare Committees, which resulted in huge pendencies. Many CCIs continued to run without registration, even though registration was mandatory. Further, 103 CCIs whose registration had been rejected by the Department of Women and Child Development, for not complying with standards continued to operate, indicating lack of Government control.

While, the JJ Act stipulated for separate homes for Juvenile delinquents and children who required care and protection, in some of the CCIs test-checked, it was observed that both were put up in the same place, which was in violation of the Act. There were several inadequacies in terms of physical infrastructure, sanitation and hygiene, medicinal care, education *etc.*, in the CCIs when compared to the norms set in the JJ Rules, 2010. Except for one paramedical staff available, services of doctor, counsellor and house mother/father were not provided in a Special Home in Ballari which housed 50 mentally retarded children.

The non-functioning of the State Advisory Board and Management Committee and lack of inspection by District Inspection Committee also contributed to poor monitoring and effective implementation, which contributed to the deficiencies in implementation of the JJ Act.

In view of these serious deficiencies, Governments needs to review the manner in which the act is being implemented at present so as to enable it to effectively deal with its deficiencies and ensure that the children who require and deserve care and protection are truly provided the same.

### **4.3 Investments made by the Bangalore Development Authority in Mutual Funds**

#### **4.3.1 Introduction**

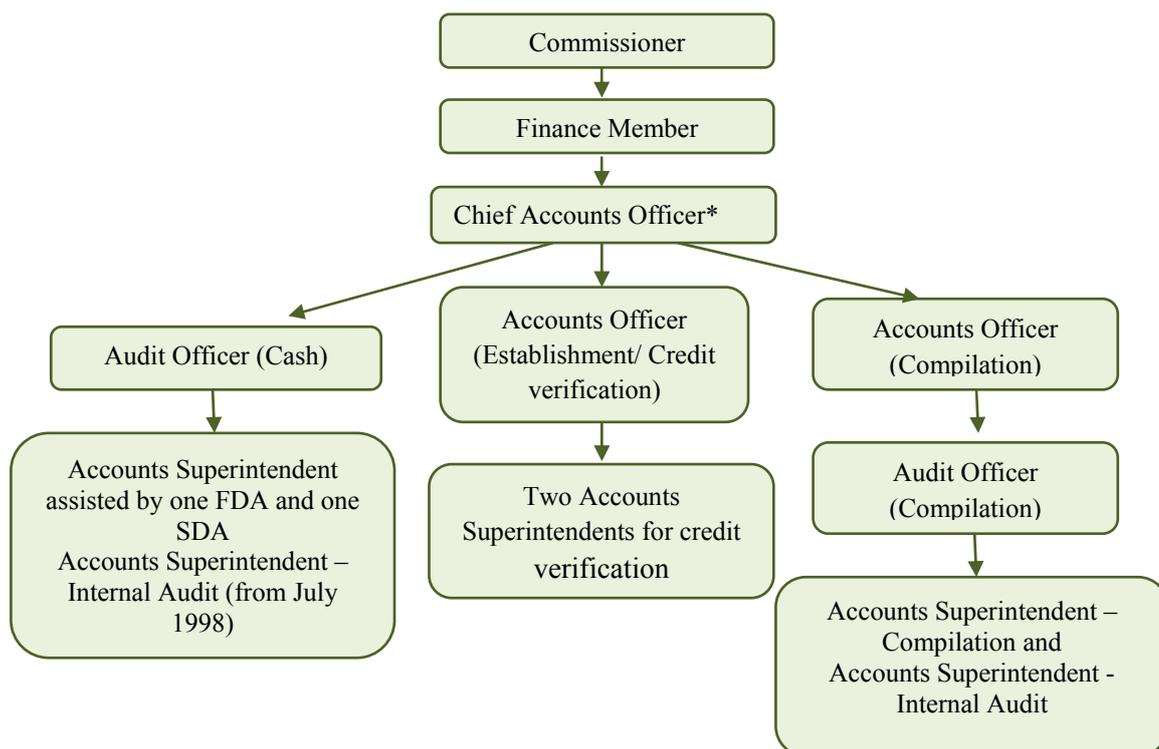
The present Report contains the findings of a special audit of the investments made by the Bangalore Development Authority (BDA) in Mutual Funds during the period 1999-2014. The Government of Karnataka (GoK) requested (November 2014) the Principal Accountant General (G&SSA), Karnataka, Bengaluru, for a special audit of the Investment of the BDA funds in Mutual Funds during the period 1999-2014 on the basis of a report (November 2014) of the Karnataka Institute of Public Auditors (KIPA) that the different Finance Members (FMs) of the BDA had unauthorisedly opened bank accounts and diverted the BDA's funds for investment in Mutual Funds through these accounts. The BDA had, initially, requested the KIPA to investigate the matter on the basis of the communication (July 2014) of the Principal Accountant General (Economic and Revenue Sector Audit), Karnataka to the Chairman of the BDA in respect of unauthorised diversion of BDA's funds to the Bangalore Metro Rail Corporation Limited (BMRCL).

The State Government had also ordered (December 2014) a parallel investigation into the investments made by the BDA in Mutual Funds by the State Criminal Investigation Department (CID), GoK. The investigation was in progress in January 2016. The special audit by the Principal Accountant General (G&SSA) commenced in December 2014 and was completed in June 2015. The special audit report containing detailed findings was sent to the State Government in August 2015 by the Principal Accountant General (G&SSA), Karnataka, Bengaluru. The GoK's reply to the special audit report was received in December 2015.

#### **4.3.2 Organisational set-up**

While the BDA was headed by a Chairman, the Commissioner was its Chief Executive and Administrative Officer. The Commissioner was vested with powers to operate the accounts of the BDA and was responsible for maintaining its accounts, besides exercising supervision and control in matters concerning accounts and records of the BDA. The Commissioner was assisted by a FM, responsible for advising the BDA and the Commissioner on all financial matters. In relation to the management of bank accounts and compilation of the accounts, the FM was assisted by a Chief Accounts Officer (CAO), two Accounts Officers and two Audit Officers who were assisted by Superintendents, First and Second Division Assistants (FDA/SDA).

The organisational chart of BDA relating to Finance is as shown below:



\* The post of Financial Assistant was renamed as Chief Accounts Officer on 6 May 2005.

The incumbency to the post of Commissioners and FM are brought out in **Appendix-4.9**.

### 4.3.3 Audit Objectives

The objectives of Audit were designed to examine:

- the functioning of the internal control mechanism of the BDA during 1999-2014 to ascertain whether the internal controls of the BDA were adequate to mitigate unacceptable risks with regard to management of bank accounts and investment of funds;
- how the internal controls pertaining to these areas had been overlooked, bypassed or overruled to divert the BDA's moneys to Mutual Funds and other organisations; and
- loss, if any, to the BDA due to diversion of money and also to ascertain whether the BDA's funds had been misappropriated.

### 4.3.4 Audit Scope & Methodology

The audit covered the investment made by the BDA in Mutual Funds during 1999-2014. The general audit scrutiny included review of cash books, investment files and registers, Statements of Accounts of BDA. Documents were obtained from the Mutual Fund Houses, pass sheets and other information was obtained from the banks. Assistance and help of CID was also taken in accessing the records of Mutual Fund Houses and banks and certain records in BDA. Specific audit scrutiny focused on tracing the trail of

funds from the BDA's bank accounts to various Mutual Funds to the crediting of the redemption payout cheques issued by the Mutual Funds to the BDA's bank accounts.

As the special audit covered very old periods, complete information/documents could not be obtained from banks in respect of the following:

- Term Deposits made and redeemed from time to time and pass sheets of the bank accounts prior to 2006-07 from Canara Bank;
- Confirmations given to the BDA every year during 1999-2014 in respect of Term Deposits outstanding in their books as of March;
- Pass sheets of all the collection accounts operated by the BDA with various branches of Canara Bank for the period 1999-2006 and Indian Overseas Bank for the period 1999-2003.

The report emanates from the scrutiny of information and documents pertaining to the investments obtained externally by audit from Mutual Funds, Registrars and Transfer Agents of Mutual Funds, Banks *etc.*, as no information/documents relating to the investments in Mutual Funds was available with the BDA. The audit reconstructed the bank accounts on the basis of information/documents furnished by the banks and collated the results with the information furnished by the various Mutual Fund Houses.

Audit acknowledges the co-operation extended by the CID, the current management of the Banks, Mutual Fund Houses and BDA in securing documents/information essential for conducting the audit.

#### **4.3.5 Audit findings**

The important findings from the special audit are discussed below:

##### ***4.3.5.1 Disregarding of Internal Control Framework***

Internal Control is a means for achieving the organisation's objectives and mission. In order to ensure effective operations, safeguard resources, ensure adherence to laws/regulations and maintain reliable financial and management data, a sound internal control system is required to be established.

##### ***(a) Risk Assessment***

The risk management activities generally commence with an organisational risk assessment. This means that the organisation formally identifies its risks within the context of its organisational activities. These risks would then be evaluated and sourced to activities or functions. The BDA was responsible for setting appropriate policies on internal controls and to assure itself that processes were functioning effectively to monitor the risks to which organisation was exposed. It was expected to ensure that the system of internal control was effective in reducing risk. The absence of such risk assessment and identification indicated weak controls in the BDA which have been discussed below:

- *No risk assessment done in relation to the management of bank accounts*

During 1999-2014, transactions relating to receipts ranging from ₹363.57 crore to ₹1,458.26 crore and expenditures ranging from ₹243.21 crore to ₹1,110.04 crore were conducted through bank accounts operated by the BDA with various banks. The audit, however, observed that the BDA had not adopted any approach to assess risk in relation to the management of bank accounts. It also did not have any policy or guidelines on operation of bank accounts such as when a bank account should be opened, who is authorised to open and operate the bank accounts, or entering into service agreements with the bankers for banking services. Further, audit observed that there were no guidelines as to whether any committee was to periodically oversee the implementation of the banking requirements. Audit also observed that though the number of bank accounts had multiplied during 1999-2014, no review had been conducted to know about the continued need for these multiple bank accounts.

It was further seen that all the interbank transfers as well as transfers among various bank accounts within the bank had been affected by banks on the basis of oral instructions of FM during 1999-2014. There was no record available in the BDA authorising these banks to transfer funds to other banks or among the various current accounts within a bank. The interbank transfers during the said period ranged from ₹59.27 crore (1999-2000) to ₹1,324.45 crore (2004-05).

- *Multiple bank accounts had been opened and operated without the approval of the Commissioner/BDA*

The BDA Act stipulated that the Commissioner was to operate BDA's accounts and was responsible for maintaining its accounts besides exercising supervision and control in matters concerning accounts and records. Also, the banking regulations required an order authorising an officer to open and operate the accounts from the Head of the Organisation. However, we observed that the Commissioner had not delegated the power of opening a bank account to any senior official including the FM. While defining the duties and responsibilities of the Finance Wing through a circular issued in June 1985 under Section 13.2 (e) and (f) of the BDA Act, the Commissioner fixed the responsibility for all financial activities of the BDA entirely on the FM who was to be assisted by Audit/Accounts officers and Financial Assistant. However, this circular did not delegate the power of opening bank accounts to the FM. Thus, only the Commissioner was mandated to authorise the opening of bank accounts.

Scrutiny of records showed that the BDA did not have any record of the bank accounts (including collection accounts) opened, operated and closed from time to time during 1999-2014. No files containing the orders of the Commissioner for opening these accounts were furnished to audit. A central register recording the bank accounts opened from time to time and signatories of these bank accounts had not been maintained by the BDA. Audit, however, obtained information from the banks which showed that multiple Current Accounts (CAs) as shown in **Table-4.3** had been opened, operated and closed during 1999-2014, in favour of the BDA.

**Table-4.3: Current accounts operated by the BDA during 1999-2014**

Name of the Bank	No. of accounts operated	No. of accounts closed/ remaining dormant	No. of accounts currently operative	No. of accounts without requisite signed account opening forms as confirmed by banks
Indian Overseas Bank (IOB), Kumara Park West, Bengaluru	18	13	5	16
Canara Bank, BDA Complex, Bengaluru	30	15	15	15
Canara Bank, Kumara Park West, Bengaluru	12	12	Nil	12
Corporation Bank, Kumara Park West, Bengaluru	2	1	1	Nil

(Source: Information furnished by respective banks)

Of these, the main current accounts of the BDA which were operative are shown in **Table-4.4**.

**Table-4.4: Main current accounts of the BDA during 1999-2014**

Name of the bank	Current Account Number	Opened on
Canara Bank, BDA Complex, Bengaluru.	2001	01 January 1991
IOB, Kumara Park West, Bengaluru	239	17 February 1998
Corporation Bank, Kumara Park West, Bengaluru	150	12 October 2010

(Source: Information collected from Annual Accounts of BDA)

The FM and the CAO were the authorised signatories for each of these accounts. Thus, multiple bank accounts opened and operated evidently without the approval of the Commissioner showed that lack of guidance on management of bank accounts by the BDA/Commissioner and non-existence of any oversight mechanism to periodically review implementation of the banking arrangements resulted in the banking activities being conducted over a long period of time during 1999-2014 in an uncontrolled environment.

- ***Collection Accounts opened without following the prescribed procedures***

In addition to the main accounts mentioned above, the BDA had authorised a number of branches of IOB, Canara Bank and Corporation Bank to receive applications, registration fees and initial deposit amounts from applicants while issuing notifications during 1999-2014. The amounts credited to the collection accounts at the authorised branches of the banks were to be transferred to the designated main accounts of the BDA after the last date fixed for receipt of applications. A collection account permits only crediting of the receipts and transfer of the receipts so credited to the designated main current account. No other transaction is permissible in a collection account. In this regard, it was observed that the BDA had not assessed the number of collection accounts required to be operated at the authorised branches.

BDA did not have any service agreements with the banks specifying, amongst other things, the mode and frequency of transmission of receipts in the collection account to the main account and of providing periodic reports to BDA. Though BDA entered into agreement with the Corporation Bank, Kumara Park West branch in October 2010, even it did not have service agreement to this level.

Hence, in the absence of any service agreements, the BDA did not have any legally valid document to make the banks accountable for lapses, if any, on their part and claim damages wherever appropriate. Since the pass sheets of the collection accounts were not available with the BDA, audit obtained the same from the banks and the scrutiny of the pass sheets showed the following irregularities:

(a)	Balances in collection accounts invested in Term Deposits at respective branches	An amount aggregating ₹1,712.88 crore had been invested in term deposits at 156 branches of IOB, Corporation Bank and Canara Bank during December 2001 to June 2004 without authorisation from the Commissioner/FM but were brought to accounts during those periods. Though there was no actual transfer of amounts to the main bank account, BDA operated a 'inter-bank transfers' account and recorded the collection amount as receipts in the cash book. The debits to these inter-bank transfers were subsequently cleared by transferring the balances to investments.
(b)	Balance in collection accounts transferred to other branches for investment in Term Deposits	An amount aggregating to ₹23.75 crore was transferred (on 29.8.2000, 29.11.2000, 9.5.2001 and 16.7.2002) from two collection accounts of IOB to its nine branches across Bengaluru without the written approval of the BDA for investment in Term Deposit. Further, an amount of ₹23.52 crore collected (as of 4 November 2003) in three different branches of IOB had been transferred to other branches, the details of which were not forthcoming.  An amount of ₹70 crore had been transferred from CA 1587 to 14 branches of IOB during November 2003. Maturity proceeds of ₹317.07 crore had also been credited to this account (February 2004 and March 2005). In the absence of relevant details from the branches concerned, Audit could not match the outflow of funds with the inflow of proceeds credited. This implied that the redemption proceeds included proceeds of other term deposits not invested out of funds transferred from this account.
(c)	Balance in collection accounts partially transferred to main account	In three out of 46 test-checked collection accounts and four bank accounts other than collection accounts of Canara Bank, amounts collected were partially transferred to its main designated account.
(d)	Balance in collection accounts transferred at different intervals	The BDA had not issued any instructions to the banks prescribing the periodicity for transfer of balances in the collection accounts to the main designated account. In the absence of mandated time frame, different branches had transferred funds at different intervals. Out of the collections made during March to June 2014 in two branches, an amount of ₹1.17 crore had not been transferred to main account as of December 2014 and ₹2.04 crore had been transferred to the main account only on 30th June 2014.

(e)	Transfers among collection accounts within branch	Out of the receipts collected in CA 5004 of Canara Bank, ₹0.36 crore had been transferred to another collection account of Canara Bank viz., CA 5007 on 30.12.06. Similarly, ₹0.16 crore had been transferred from CA 5007 to CA 5004 during March 2006 to February 2007.
(f)	Balance held in collection accounts not disclosed in main accounts	Following amounts were not reflected in the books of accounts: <ul style="list-style-type: none"> <li>• An amount of ₹0.36 crore during March 2004 and ₹11.53 crore during March 2014 at IOB.</li> <li>• Amount ranging from ₹0.07 crore to ₹8.03 crore during 2005-06 to 2013-14 at Canara Bank.</li> </ul>

The absence of service agreements and failure of FMs to monitor collection accounts resulted in the funds either being unnecessarily parked or invested from the collection accounts without proper authorisation. There was no information available to the BDA of the overall financial position leading to *ad hoc* and subjective investment decisions.

Due to non-availability of pass sheets of all collection accounts for the period 1999-2014, audit could not verify whether all the moneys in the collection account had been transferred in full to the main CA of BDA. As a result, audit could not verify the correctness of Term Deposits recorded in investment register.

- ***Large number of bank accounts not disclosed in the annual accounts***

The Management of an organisation is responsible for the preparation and presentation of financial statements in accordance with the Accounting Standards and also for putting in place a sound internal control mechanism to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error. The definition of financial statements includes all necessary disclosures which comprise explanatory or descriptive information in the financial statements, information in the related notes, *etc.* It was seen that a large number of bank accounts, including collection accounts, operated by the BDA had not been disclosed in the annual financial statements during 1999-2014 and details of which are indicated in **Appendix-4.10 (a) and Appendix-4.10(b)**. As such, these accounts had not been subjected to audit during 1999-2014. Failure to disclose a large number of bank accounts year after year resulted in a large number of transactions being kept out of the audit process, besides facilitating concealment of the diversion of huge funds to Mutual Funds year after year and their non-detection as discussed in the report subsequently.

- ***Absence of investment policy***

There was no investment policy in place approved by the BDA till 13 August 2008, despite being pointed out by audit during certification of the annual accounts for the years 2002-2005. Till August 2008, investments in Term Deposits had been made on the basis of individual approvals given without taking a holistic approach. The Commissioner then constituted an Investment Committee headed by himself and consisting of the FM, Secretary and CAO as the members. Thus, the FM was responsible for submission of investment

proposals to the Investment Committee/Commissioner. Though the Investment Committee had been constituted, no guidelines detailing its scope and functioning had been framed by the Commissioner. The total investments in term deposits including their renewal, during 1999-2014 as per annual accounts was ₹18,222.50 crore. Scrutiny of the investment files relating to this period showed that:

- Investments amounting to ₹14,759.47 crore were made in Term Deposits prior to August 2008. Out of the said investment, approval of the Commissioner had been obtained for only ₹1,911 crore (13 *per cent*). Further, the investment of ₹101.42 crore was approved only by the FM and ₹23.70 crore was invested by the FM by stating that oral orders of the Commissioner had been obtained. However, we observed that there were no ratification by the Commissioner for the said oral orders and hence could be construed as unauthorised. Balance investment of ₹12,723.35 crore in Term Deposits (70 *per cent*) did not have approval of any kind which was also unauthorised.

Also, audit observed that ₹150.45 crore had been invested (July 2008) in six Term Deposits in order to match six fictitious Term Deposits outstanding in the Investment Register. This investment had apparently been made by the SDA as the post of FM remained vacant from 1 July 2008 to 9 November 2008. We, however, observed that there were no records available authorising the bank to carry out these transactions. The trail of these Term Deposits is indicated in **Appendix-4.11**.

- Subsequent to the constitution of Investment Committee, investment amounting to ₹591.85 crore and ₹121.19 crore in Term Deposits had been approved by the Commissioner and FM respectively without recommendation of the Committee. In addition, an investment of ₹200 crore in Term Deposit was made by the FM stating that oral orders of the Commissioner had been obtained. These unauthorised investments constituted 26 *per cent* of the total investment made after constitution of the Investment Committee.
- With regard to premature closure of term deposits, audit observed from the entries made in the Investment Register that although, Term Deposits had been prematurely closed on a large scale from time to time, no written approval for premature closure had been obtained from any authority during the period 1999-2008 (except for ₹ five crore approved by the FM during 1999-2001). The FM approved pre-closure of investments aggregating ₹411.09 crore during 2008-15 without the approval of the Investment Committee/Commissioner. Similarly during 2009-15, the Commissioner had approved premature closure of Term Deposits amounting to ₹577.86 crore without referring the matter to the Investment Committee.
- It was further observed that there was also no system of physical verification of the original term deposit certificates either at periodical intervals during the year or at the end of the year. This facilitated in concealing the continued unauthorised diversion of funds as Term Deposits in the accounts.

Thus, all the observations brought out in the previous paragraphs indicate that the Finance Wing of the BDA had not produced effective and timely operational reports that included actual and budget cash balances which were compared to forecasts and targets. No operational report comparing the year to-date totals of interest earned against a pre-determined target had been prepared. As these reports had not been prepared, there was no regular appraisal of BDA's finances, including bank accounts and investment of surplus moneys, to the Management. In the absence of this information, the management lacked sufficient knowledge to make informed decisions on the performance of the banking and cash management functions.

**(b) Control activities**

Control activities refer to that group of specific controls which are within an effective control structure to mitigate unacceptable risks to assist the achievement of business objectives. An effective framework includes both preventive and detective controls that minimise the impact of risks and contributes to the efficient and effective delivery of quality outcomes.

Audit, however, observed that both preventive and detective controls were either not in place or were not functional during 1999-2014. Specific audit findings in this regard are discussed in subsequent paragraphs.

• **Controls for maintenance of cash book overruled**

The Article 329 of the Karnataka Financial Code (KFC) prescribes that all monetary transactions should be entered in the cash book as soon as they occur and attested by the head of the office in token of check exercised by him. The cash book should be closed at the end of each day and the balance struck. The Head of the office should verify the totals of the cash book or have this done by some responsible subordinate official other than the writer of the cash book and initial it as correct. At the end of the month, the cash book should be closed.

All banking transactions *viz.*, receipts remitted into the bank accounts, inter-bank transfers, investments and their redemption, and bank balances including drawing up abstracts in the cash book at the end of every month were written by the SDA. While the entries written on expenditure side of cash book were partially attested by the Financial Assistant during 2000-02 and by the Audit Officer during the remaining period, none of the entries written by the SDA had been attested by anyone during 1999-2014. The cash book had not been closed at the end of each day. However, at the end of the month, the cash book had been signed by the Audit Officer. Thereafter, the cash book had not been submitted to any higher official such as CAO/FM.

Thus, no oversight mechanism existed in the BDA to ensure that the cash book had been written as per rules and the transactions recorded therein were free from material misstatements, whether due to fraud or error.

- ***Non-segregation of duties and responsibilities***

The best practices require that no single individual or section should control all key stages of a transaction or event. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

The FM, however, did not adequately separate job responsibilities related to banking and investment activities and made the SDA responsible for:

- All banking activities including investment of moneys in Term Deposits and their redemption;
- Writing of cash book;
- Maintenance of Investment Register including physical custody of original Term Deposit Receipts; and
- Bank reconciliation

As a result we observed that:

- The SDA had been handling all banking activities of the BDA since 1999 including initiating proposals for investment of surplus funds, their redemption including pre-closure, *etc.* The SDA had been allowed to write all the banking transactions in the cash book prior to November 2009 also though as per the order of July 1998, the work of maintenance of the cash book had been assigned to the FDA.
- Though the responsibility for maintaining the Investment Register and physical custody of instruments representing investments had not been formally allocated to anyone in the Finance Wing, the SDA had been writing the Investment Register. It was seen that the individual entries in the Investment Register had not been attested by anyone during the period 1999-2014. The individual entries relating to investments carried forward at the beginning of the year had also not been attested by the Audit Officer who, however, had attested the cumulative opening balance carried forward for the period April 2003 to March 2012. The closing of the register at the end of the month had been signed by the Audit Officer for the period 2003-2012 only. For the period 2012-14, the closing of the register at the end of every month had not been signed by anyone. Audit found from the investment files that during the period May 2001 and September 2004, the Investment Register had not been written up-to-date though the Financial Assistant had brought it to the notice of the Finance Member.
- The Investment Register had not been submitted to any higher officer *viz.*, Accounts Officer, CAO or FM during the period 1999-2014. Though ₹18,222.50 crore had been shown in the accounts as invested in Term Deposits during 1999-2014 and proceeds of ₹17,981.12 crore had been shown as realised from such investments during this period, the entries relating to investment and redemption had not been attested either in the cash book or Investment Register during this period. No review of the investment activity at any level had been conducted comparing the interest payments received from Term Deposits analysing the reasons for breaking and pre-closure of Term Deposits *etc.*

- The SDA was also entrusted with the duty of bank reconciliation. It was seen from the files produced to audit that the bank reconciliation had been confined to analysing the unpaid cheques at the end of every month and reconciliation of receipts and other transactions reflected as transfers in the pass sheets of bank accounts had not been done. Further, no reconciliation statement, or certificate signed by the SDA, and his supervisory officers was available in the BDA.

The job allocation in the Cash section was so skewed that it facilitated the SDA to control a banking process from start to finish and to transfer the BDA's funds unauthorisedly to Mutual Funds persistently over a period of time. Further, banking activity was not reviewed on regular intervals to ensure that transactions were properly recorded in the accounts though this is the best practice in banking controls for detecting irregularities in a timely manner.

- ***Inadequate Internal Audit***

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Generally, the Internal Audit is expected to verify the existence of assets and recommend proper safeguards for their protection; evaluate the adequacy of the system of internal controls and recommend any improvements; assess compliance with policies and procedures, sound business practices, laws and contractual obligations and investigate reported occurrences of fraud, embezzlement, theft, waste, etc.

In accordance with the order issued by Commissioner (June 1985), the FM was to function as an internal auditor. The FMs of the BDA, however, did not prescribe or put in place any system of internal audit procedures. The internal audit activity in the Finance Wing covered only the BDA's various divisions/offices outside its Headquarters and no internal audit of either the Finance Wing or the other wings like Land Acquisition, Engineering, Site Allotment, Administration etc., at the Headquarters of the BDA had ever been done. In addition, the Investment Register and the monthly accounts of the BDA had never been subjected to internal audit during 1999-2014.

Though the inadequate internal audit mechanism had been repeatedly brought to the notice of the BDA through Separate Audit Reports/Management letters issued by audit, the BDA had not subjected any of its wings including the Finance Wing to internal audit. As a result, there was no in-house mechanism to evaluate and improve the effectiveness of risk management, control and governance processes, particularly in the Finance Wing. Consequently, the main detective control did not operate in the BDA, resulting in continued diversion of BDA's funds to Mutual Fund through falsification of records.

- ***Failure of Chartered Accountants to discharge their role***

The BDA had appointed Chartered Accountants during 1999-2014 for conducting detailed study and suggest improvements to the existing

accounting systems, study of internal controls/checks/procedures and identifying short comings thereon, ongoing recommendations and suggestions for improving the internal control systems. The scope of work also included verification of books of accounts, review of financial statements *etc.*

The audit, however, observed that though the Chartered Accountants were responsible for studying the system of accounts which also included regular checking of the books of accounts including the bank accounts, evaluating the internal control system, they had failed in discharging both the functions. Also, the Chartered Accountants had not highlighted any shortcomings/deficiencies in the management of multiple bank accounts by the Finance Wing/BDA.

Thus, while a formal internal audit mechanism did not exist in the BDA, the Chartered Accountants whose scope of work *inter alia* included monthly audit of accounts of the BDA had failed to detect the continued diversion of BDA's funds for investment in Mutual Funds.

- ***Monitoring of activities***

Monitoring and review is the final component of an effective control structure which provides an on-going check on the effectiveness of the control mechanism in the organisation.

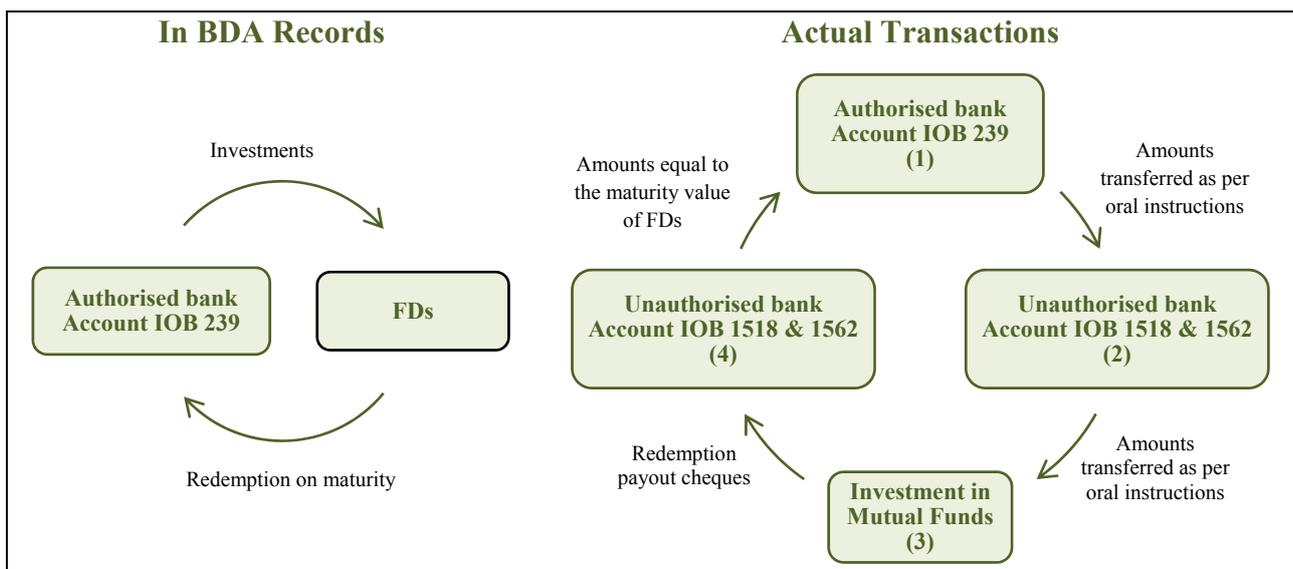
As already brought out in the earlier paragraphs, due to absence of any kind of monitoring and review mechanism in BDA, multiple bank accounts were being opened and operated, collection accounts were opened without following prescribed procedures, check of cash books not being conducted, *etc.* In addition, bank accounts had been operated and investment of surplus funds had been made by the BDA during 1999-2014 in an uncontrolled environment which is discussed in subsequent paragraphs.

#### ***4.3.5.2 Unauthorised investments in Mutual Funds by FMs***

The BDA had not approved any investment policy permitting investment of money in Mutual Funds. All the three FMs as mentioned in **Appendix-4.9** flouted rules and unauthorisedly diverted BDA's funds to Mutual Funds by falsifying the investments as Term Deposits.

##### ***(a) Modus operandi adopted for unauthorised diversion of BDA's funds***

It was noticed that the three FMs along with the SDA of the Cash Section, IOB, and the brokers, unauthorisedly routed BDA's funds to several Mutual Funds. A simplistic diagram to illustrate the modus operandi is given below. The actual modus operandi, however, was much more complex which is described in detail in the subsequent paragraphs.



**(i) How BDA’s funds were transferred from its bank accounts**

Outgo to Mutual Funds from the main CAs	Several banker's cheques were obtained through written and oral directions to the banks by the FMs in favour of several Mutual Funds by debiting the main CAs. Illustrative cases have been given in <b>Appendix-4.12(a)</b> .
Outgo to Mutual Funds through unauthorised accounts	Funds were transferred from time to time from the main CA to unauthorised accounts. Several banker's cheques were then obtained through written and oral directions by the FMs in favour of Mutual Funds by debiting the unauthorised current accounts. Illustrative cases have been given in <b>Appendix-4.12(b)</b> .
Proceeds of Term Deposits made from main current accounts	Surplus funds in the main current account of IOB were regularly invested in Term Deposits by the BDA. Proceeds of many such Term Deposits were, however, credited to other current accounts including unauthorised current accounts and used for diversion to Mutual Funds. Illustrative cases have been given in <b>Appendix-4.12(c)</b> .

**(ii) How redeemed Mutual Funds were treated**

Redemptions directly credited to main CA	The payout cheques obtained from Mutual Funds were credited either directly to the main CA or credited to unauthorised accounts. Illustrative cases have been given in <b>Appendix-4.13(a)</b> .
Redemptions credited through unauthorised accounts	The redemptions from mutual funds were initially credited to unauthorised accounts, from where the amounts were transferred to <ul style="list-style-type: none"> <li>• Main CA to match the fictitious Term Deposits already created in the books of accounts. Illustrative cases have been given in <b>Appendix-4.13(b)</b>.</li> <li>• Fresh Mutual Fund investments. Illustrative cases have been given in <b>Appendix-4.13(c)</b>.</li> <li>• Unauthorised Term Deposits which were subsequently transferred to main CA. Illustrative cases have been given in <b>Appendix-4.13(d)</b>.</li> </ul>

**(iii) How the accounts records were falsified to ensure continued non-detection of unauthorised diversion of funds**

<p><b>Step 1:</b> By creating fictitious Term Deposits in the BDA's records</p>	<p>Whenever the banks debited the main current accounts at the time of issuing Banker's cheques or transferring funds to the unauthorised accounts, such debits were recorded in the Cash Book and Investment Register as Term Deposits, mostly short-term, by assigning fictitious numbers. Illustrative cases of fake deposits are brought out in <b>Appendix-4.14</b>.</p> <p>The position of fake deposits included in the Annual Accounts as at the end of March 2015 is shown below.</p> <p align="right">(₹ in crore)</p> <table border="1" data-bbox="619 584 1433 869"> <thead> <tr> <th>Date of Deposit and TDR Nos.</th> <th>Amount shown as invested</th> <th>Date of maturity</th> <th>Interest accrued</th> </tr> </thead> <tbody> <tr> <td>10.07.13/ 603</td> <td>17.79</td> <td>10.07.14</td> <td>1.16</td> </tr> <tr> <td>10.07.13/ 604</td> <td>17.70</td> <td>10.07.14</td> <td>1.16</td> </tr> <tr> <td>10.07.13/ 605</td> <td>32.73</td> <td>10.07.14</td> <td>2.14</td> </tr> <tr> <td>30.11.13/1005</td> <td>9.77</td> <td>30.11.14</td> <td>0.30</td> </tr> <tr> <td>01.01.14/6</td> <td>10.90</td> <td>01.10.15</td> <td>0.25</td> </tr> <tr> <td>20.01.14/34</td> <td>10.00</td> <td>20.01.15</td> <td>0.17</td> </tr> <tr> <td><b>Total</b></td> <td><b>98.89</b></td> <td></td> <td><b>5.18</b></td> </tr> </tbody> </table> <p>The fake Term Deposits were shown as renewed from time to time in the Investment Register.</p>	Date of Deposit and TDR Nos.	Amount shown as invested	Date of maturity	Interest accrued	10.07.13/ 603	17.79	10.07.14	1.16	10.07.13/ 604	17.70	10.07.14	1.16	10.07.13/ 605	32.73	10.07.14	2.14	30.11.13/1005	9.77	30.11.14	0.30	01.01.14/6	10.90	01.10.15	0.25	20.01.14/34	10.00	20.01.15	0.17	<b>Total</b>	<b>98.89</b>		<b>5.18</b>
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<b>Total</b>	<b>98.89</b>		<b>5.18</b>																														
<p><b>Step 2:</b> Bank confirmation letters were fabricated by using fake letter heads</p>	<p>The SDA used fake letter heads and seals of the bank to prepare certificates confirming the Term Deposits to match with the investments outstanding in the books of accounts in each financial year and played a major role in the preparation of fake confirmation letters by using these letterheads whenever felt necessary, either for audit purposes or otherwise.</p> <p>This was established when the copy of the confirmation certificate purported to have been issued by the bank was referred (March 2015) to the bank by audit for verification of its genuineness. The bank authorities confirmed (April 2015) that the Bank's letterhead and seal were presently not in use and that the signature affixed on the confirmation letter sent by audit was not that of the Manager of the Bank. Similarly, on another occasion, the FM who had taken over charge (2 August 2014) had sought confirmation from bank for Term Deposits amounting to ₹190.67 crore outstanding in the Investment Register. The BDA had on its file two confirmation letters, one genuine letter issued by the Bank confirming the balance as ₹160 crore only and another fake confirmation letter, created by the SDA for ₹190.67 crore.</p> <p>Audit also found in the custody of the SDA, the blank letterheads of IOB and Canara Bank. This was traced by the BDA when they broke open (February 2015) the almirah in the presence of police authorities.</p>																																
<p><b>Step 3:</b> Removal of fake Term Deposits from the accounts</p>	<p>When funds were transferred to the main current accounts either by crediting the payout cheques of Mutual Funds or by transferring funds from the unauthorised accounts, or by crediting the proceeds of Term Deposits made from unauthorised accounts, the receipts in the pass sheet were recorded in the cash book as proceeds of Term Deposits and the outstanding fake Term Deposits were removed from the Investment Register as detailed in <b>Appendix-4.14</b>.</p>																																

**(b) Collusion by banks**

Detailed study of bank records obtained by audit showed that the major portion of BDA's funds had been diverted for investment in Mutual Funds from the CA with IOB. Further analysis of the IOB transactions by the audit showed the following:

<p>Bank acted upon the request of FM for diversion of funds</p>	<p>Banking rules and regulations did not permit conducting business on the basis of oral directions.</p> <p>We, however, observed that the banks had acted upon the letter written (20 June 2000) by FM to the Senior Manager of the bank. The letter authorised the bank to issue Banker's cheques on the basis of oral instructions given over phone by debiting various current accounts and also transfer funds between the various accounts of the BDA maintained with the bank.</p> <p>Though operation of the CAs required authorisation from both FM and CAO, the bank had issued Banker's cheques in favour of several Mutual Funds during 1999-2014 by debiting the CA based on the written request of FM alone.</p>
<p>Bank disregarded rules for Term Deposit accounts</p>	<p>Bank had failed to follow the prescribed rules for opening Term Deposit accounts in favour of the BDA. It irregularly opened Term Deposit accounts without a written request, renewed these Term Deposits without proper authorisation, pre-closed these accounts without a formal request, and credited the proceeds of Term Deposits to several current accounts without authorisation.</p>
<p>Bank did not indicate the transaction details in the pass sheets</p>	<p>When funds were either transferred to unauthorised current accounts or when Banker's cheques were issued directly from the main current account, IOB had suppressed the transaction details in the pass sheets of the current accounts by recording the narration as only <i>Trf</i>, meaning transfer. Similarly, when funds were transferred back to the main current account from the unauthorised accounts, these transactions were indicated in the pass sheet as <i>Trf</i> without disclosing the source.</p> <p>This facilitated in classification of such transfers as Term Deposits in the cash book without being detected.</p>
<p>Bank allowed current account operated by BDA for collection of receipts from public for diversion of funds to mutual funds</p>	<p>Purpose of a collection account is to park money remitted by general public temporarily before it is transferred to designated main current account of BDA. The collection account is designed to provide for only a one-way traffic of collection and transfer of moneys to designated main account and cannot be used for any other purpose.</p> <p>Bank had, however, allowed current account operated for collection purposes for diversion of funds to mutual funds.</p>
<p>Bank facilitated concealment of unauthorised transactions in a current account disclosed in the accounts</p>	<p>Though funds from a current account disclosed in the accounts had been transferred to Mutual Funds and redemption payouts from Mutual Funds had been credited to this account, these transactions had not been disclosed in the accounts. IOB facilitated the concealment of these transactions by manipulating the monthly closing balance in this account so as to agree with the closing balance as per accounts. The manipulation was done either by writing back the available balance to Sundry Creditors or by partially crediting the payout cheques presented for encashment through this account. A case study has been brought out in <b>Appendix-4.15</b>.</p>

Bank facilitated transactions without routing through the pass sheets	Audit observed instances wherein – <ul style="list-style-type: none"> <li>• The bank had issued banker’s cheque directly from the sundry creditor’s account<sup>85</sup> without crediting the customer’s account.</li> <li>• A single cheque received for clearance had been broken into two parts and credit afforded to two different accounts.</li> <li>• In respect of amount cleared against a single cheque, credit to the customer account had been afforded on different dates, by splitting the amount of the clearance cheque.</li> <li>• Amount standing at the credit of BDA’s account had been written back to sundry creditors to facilitate manipulation of balances in that CA.</li> </ul>
Bank falsified the details of transactions recorded in the pass sheet	When funds were transferred back to the main current account from the unauthorised account, the transfers were recorded as proceeds of Term Deposits (which were fake) outstanding in the Investment Register, thereby creating the impression that the receipts represented proceeds from genuine Term Deposits.

In short, the bank frequently transferred huge funds amongst various current accounts without obtaining confirmation from the authorised signatories after carrying out the transactions. The redemption payout cheques received from the Mutual Funds were credited to various CAs, not always to the CAs from which Banker’s cheques in favour of the Mutual Funds had been initially issued. Thus, IOB had violated the banking rules by carrying out unauthorised transfer of moneys among the CAs and issuing Banker’s cheques in favour of Mutual Funds without the knowledge of the second authorised signatory.

Audit observed an instance, wherein a redemption cheque was encashed at a Bank without having an account. Scrutiny showed that ING Vysya Bank operated ‘Wash Account’ similar to Sundry creditors account. A redemption payout cheque issued by a Mutual Fund House was directly presented at the ING Vysya Bank where BDA did not have any account. The Bank had cleared the cheque through the wash account and invested the same in five Term Deposits in favour of BDA for six months. Subsequently, the Term Deposits had been pre-closed and maturity proceeds were credited to an unauthorised account at Corporation Bank. .

### ***(c) Funds transferred out of BDA to other organisations***

Apart from the funds diverted to Mutual Funds, audit noticed that ₹10.67 crore had been transferred on four occasions to other organisations which did not have any business connection with the BDA. These misappropriation cases are discussed below:

- ***Coffee Board, Karnataka***

Detailed scrutiny of bank records of IOB revealed that BDA’s bank account had been debited by ₹4.50 crore on 28 March 2002 and the amount had been transferred to another account with the same branch which was operated by the Coffee Board, Karnataka. In order to verify whether the said amount had

<sup>85</sup> Sundry creditors is operated by banks for clearance of cheques presented. When a cheque was received for clearance, sundry creditor was credited by debiting clearance account. On clearance, Sundry creditors account was debited and customer account was credited.

subsequently been returned to the BDA, the transactions in these two accounts were scrutinised and we observed that

- The amount had been returned (3 April 2002) indirectly by investing Coffee Board's fund of ₹4.50 crore in Mutual Fund in favour of BDA.
- The redemption payout cheque for ₹4,55,11,644 was presented for clearance by the Coffee Board. The bank credited a partial amount of ₹5,11,644 to Coffee Board's bank account and issued banker's cheque for the balance ₹4.50 crore for investment in Mutual Fund in favour of BDA. The bank facilitated concealment of this transaction in the BDA's pass sheet by operating sundry creditors account.

The transfer of ₹4.50 crore from the main CA during March 2002 had falsely been recorded in the investment register as Term Deposit. This fake deposit had been cleared during July 2002 by redeeming an investment earlier made in Birla Sunlife Mutual Fund by BDA.

On another occasion, BDA submitted (25 November 2002) a redemption payout cheque for ₹1.04 crore for clearance. It was noticed that without crediting this amount to its account, the bank issued a banker's cheque in favour of a Mutual Fund which was invested in the name of Director of Finance, Coffee Board. This transaction was also routed through sundry creditors account by the bank. Though Coffee Board had redeemed the investment and realised the money, it had not returned the amount apart from interest of ₹1.68 crore to BDA as of now (November 2015) even after 13 years.

It was further observed that the bank account of both BDA and Coffee Board had been maintained at the same branch of IOB and the same brokerage firm handled the Mutual Fund investments. Thus, the said misappropriation was aided and abetted by the banker who was same for both the offices.

- ***Bangalore Metro Rail Corporation Limited***

It was observed that the FM had obtained a Banker's cheque for ₹ three crore on 14 June 2007 in favour of Principal Mutual Fund by debiting the main account and transferring the same to an unauthorised bank account operated by him at IOB. However, this Banker's cheque had been used to invest ₹ three crore in Principal Mutual Fund in favour of BMRCL instead of BDA. BMRCL redeemed the investment and realised ₹ three crore. However, BDA's principal of ₹ three crore along with interest of ₹3.07 crore has not been returned by BMRCL so far (November 2015).

It was further observed that a transfer of funds from the main CA to BMRCL had been falsely recorded as a Term Deposit for 91 days in the investment register. This fictitious Term Deposit had been cleared during September 2007 by transferring the requisite fund from another main CA through an unauthorised account.

Mention was made in Paragraph 4.16 of the Report of the Comptroller and Auditor General of India (Commercial)-Government of Karnataka for the year 2008-09 regarding the improper investment of funds of BMRCL in Principal

Mutual Fund by its Executive Director (Finance) without the approval of the Board and the resultant loss to the company. As per the records of BMRCL, Principal Mutual Fund had issued (June 2007) additional units in favour of BMRCL for ₹ three crore upon remittance of ₹ three crore by the broker on his own volition to compensate the company for the loss sustained.

It is pertinent to mention here that BDA's funds of ₹ three crore had been unauthorisedly diverted from one of its bank accounts to Principal Mutual Fund for issue of additional units in favour of BMRCL.

- ***Karnataka Backward Classes Department Buildings Construction Society***

The FM obtained two Banker's cheques, one for ₹ two crore drawn on 26 June 2006 in favour of HSBC Opportunities Fund by debiting unauthorised bank account in Corporation Bank and the other for ₹12.68 lakh drawn on 30 June 2006 in favour of HSBC Cash Fund by debiting another unauthorised account in IOB. However, these Banker's cheques had been used to invest the funds in Mutual Fund in favour of Karnataka Backward Classes Department Buildings Construction Society (Society) instead of the BDA. Though the Society had redeemed the investments and realised the money, it has not returned the amount apart from interest of ₹2.54 crore to the BDA as of now (November 2015).

It is relevant to mention here that audit is neither equipped nor empowered to investigate the transfer of such funds from a criminal or forensic point of view by collecting evidence externally. The criminal investigation by the State CID is, however, expected to throw light on the linkage between these unauthorised transfer of funds to inexplicable destinations and the FMs concerned.

***(d) Summary of unauthorised financial transactions***

Audit compiled the information of funds transferred unauthorisedly from the CAs including the Term Deposit accounts and funds subsequently brought back into the main CAs through different routes on the basis of information furnished by the banks and Mutual Funds. The details of funds diverted from the main account for investment in Mutual funds, funds brought back through redemption pay outs and the net loss/profit have been shown in **Table-4.5**.

**Table-4.5: Funds unauthorisedly transferred out of the BDA's accounts and subsequently brought back**

(₹ in crore)						
<b>Diversion during the tenure of</b>	<b>Funds diverted</b>	<b>Funds brought back later</b>	<b>Excess (+) /Deficit (-)</b>	<b>Aggregate<sup>86</sup> investments in Mutual Funds</b>	<b>Redemption payouts credited to current accounts</b>	<b>Profit (+)/ Loss (-) from Mutual Funds</b>
Sri Sandeep Dash	3,439.64	3,478.24	(+) 38.60	2,202.90	2,241.51	(+)38.61
Sri M.N.Seshappa	531.24	489.35	(-)41.89	567.55	530.79	(-)36.76
Sri B.Ganganna	75.57	75.30	(-)0.27	133.00	132.75	(-)0.25

(Source: Compiled on the basis of information collected from banks and mutual fund houses)

<sup>86</sup> Aggregate investment – The sum total of individual investment made during the tenure of each FM

**(e) Loss to BDA due to investment in mutual funds**

The cumulative loss to the BDA till July 2015 due to unauthorised investments in Mutual Funds by the three FMs during their tenure worked out to ₹192.41 crore, as shown in **Table-4.6**.

**Table-4.6: Cumulative loss to the BDA**

(₹ in crore)			
Sl. No.	Name of the FM	Loss at the end of their tenure	Cumulative loss as of July 2015
1	Sri Sandeep Dash	15.55	36.38
2	Sri M N Seshappa	72.43	141.39
3	Loss of interest on ₹3.08 crore not ploughed back by Sri.M N Seshappa to the main CA	0	0.91
4	Sri B Ganganna	10.47	13.18
5	Loss of interest on ₹5.21 crore not ploughed back by Sri B Ganganna to the main CA	0	0.55
	<b>Total</b>	<b>98.45</b>	<b>192.41<sup>87</sup></b>

**4.3.5.3 Analysis of investments in Mutual Funds**

A mutual fund is a professionally managed trust that pools the savings of many investors and invests them in securities like stocks, bonds, short-term money market instruments and commodities such as precious metals. A mutual fund is set up in the form of a trust that has a Sponsor, Trustees and Asset Management Company (AMC). Investors get units of the mutual fund allotted according to the amount they invest. As mutual funds are invested in different securities like stocks or fixed income securities, depending upon the fund's objectives, different schemes have different risks depending on the underlying portfolio. The value of an investment may fluctuate over a period of time because of economic alterations or other events that affect the overall market. Mutual fund products are sold to investors through two main channels: by AMCs directly (investor service centers/Branch offices/internet) and by entities variously known as distributors/agents/brokers. Mutual funds compensate the distributors from funds collected by way of entry load, exit load and annual recurring expenses paid out of the scheme assets. The distributors receive both upfront commission and trail commission.

<sup>87</sup> While working out interest loss, Audit examined the interest earnings of the amounts that had been invested in Mutual Funds, had the said amounts been invested from time to time in Term Deposits in the normal course with nationalised banks. This methodology had been adopted by Audit to find out the alternative use of the capital as the Government departments including the BDA were mandated to invest their surplus funds only in Term Deposits with nationalised banks. While working out the interest, Audit retained the same dates of outflow of funds from the bank accounts and the subsequent inflow into them. The higher rate of interest, prevailing in the calendar year, as furnished by the Canara Bank, was adopted by Audit for working out the interest. The interest rate was applied on each outflow upto the date of next inflow. At this stage, the residual outflow of funds was calculated after deducting the inflow and taken forward. The interest rate was again applied on the residual outflow as well as on each of the subsequent outflows till the next date of inflow of funds. This process was repeated till the last inflow of funds into the BDA's main bank accounts. It is relevant to mention that there are other methods to calculate the interest and assess the loss.

**(a) Investments in Mutual Funds**

The Mutual Fund-wise details of investments and redemptions during 1999-2014 have been shown in **Table-4.7**.

**Table-4.7: Investments made in Mutual Funds and the amounts received on redemption**

(₹ in crore)

Name of Mutual Fund	Amount invested	Switches* made		Amount paid on redemption	Net loss (-) / Net profit
		In	Out		
Birla Sun Life, ING and Alliance Mutual Funds	1,576.00	1,883	1,883	1,573.73	(-) 2.27
HDFC , Zurich and Morgan Stanley Mutual Funds	559.00	1,134	1,134	574.26	15.26
HSBC Mutual Fund	204.30	463	463	197.45	(-)6.85
Principal Mutual Fund	194.65	322	322	190.77	(-)3.88
BNP Paribas and ABN Amro Mutual Funds	93.00	25	25	94.69	1.69
Tata Mutual Fund	75.00	79	79	78.94	3.94
L&T and DBS Chola Mutual Funds	75.00	274	274	66.83	(-)8.17
Sundaram Mutual Fund	50.00	21	21	51.44	1.44
JM Mutual Fund	20.00	-	-	20.60	0.60
SBI Mutual Fund	25.00	53	53	24.68	(-)0.32
Taurus Mutual Fund	10.00	5	5	9.43	(-)0.57
Deutsche Mutual Fund	20.00	-	-	20.58	0.58
UTI	1.50	-	-	1.65	0.15
<b>Total</b>	<b>2,903.45</b>	<b>4,259</b>	<b>4,259</b>	<b>2,905.05</b>	<b>1.60</b>

(Source: Information obtained from mutual fund houses)

\*Moving either the whole or part of the investment in the Mutual Fund scheme to another Mutual Fund scheme within the fund family is called switching of Mutual Funds.

Investment in Birla Sun Life Mutual Fund (into which ING Vysya and Alliance Mutual Funds had been merged) was the highest and constituted 54 *per cent*. Other Mutual Funds where substantial investments had been made were HDFC (including Zurich and Morgan Stanley)–19 *per cent*; HSBC–seven *per cent*; PMF – seven *per cent*, followed by others. While investments in seven Mutual Funds yielded aggregate profit of ₹23.66 crore, the other six Mutual Funds returned an aggregate loss of ₹22.60 crore, reducing the net profit to just ₹1.60 crore.

**(b) Falsification of address and e-mail id of BDA**

Scrutiny of copies of applications for investments, switches and redemptions obtained from Mutual Fund Houses showed that the applications had been signed by the respective FMs, implying that they were responsible for the investments.

Most of the investments by the three FMs had been made in open-ended, high risk equity schemes. Equities exhibit very sharp volatilities and carry lot of risk even to the extent of losing one's entire corpus. This was the reason why investments in six Mutual Funds registered heavy losses.

Though all investments had been made in favour of the BDA, different addresses other than the official address of the BDA had been given on many application forms. Some of the addresses given were as under:

- FM, BDA, Sankey Road, Bengaluru- 20;
- BDA, FM , #6, II Floor, Above State Bank of Hyderabad, Nehru Road, Kammanahalli, Bengaluru-84;
- BDA, No. 229, 8<sup>th</sup> E Main, I Block, HSBC Layout, Kalyan Nagar, Bengaluru-43
- BDA, No. 229, 8<sup>th</sup> 5 Main, I Block, HRBR Layout, Kalyan Nagar, Bengaluru-43

This implied that the FMs had deliberately given different addresses to ensure that no correspondence regarding Mutual Funds was received at the official address of the BDA and confidentiality of the unauthorised investments would be maintained.

For the same reason, different e-mail addresses as mentioned below had been furnished in the application forms.

- [fin\\_vsa@hotmail.com](mailto:fin_vsa@hotmail.com);
- [investmentbda@rediffmail.com](mailto:investmentbda@rediffmail.com);
- [vassanth31@gmail.com](mailto:vassanth31@gmail.com);
- [vasanth31@gmail.com](mailto:vasanth31@gmail.com) and
- [fin\\_member2012@hotmail.com](mailto:fin_member2012@hotmail.com)

**(c) Mutual Fund investments routed through brokerage firms**

Investments in mutual funds had been done through the broker's route, barring a few stray cases. The brokerage firms through which the investments including switches and redemptions had been routed were as under:

- Green Homes India;
- GS Financial Services;
- RG Financial Advisory Services;
- Investquest Advisors Private Limited
- SGR Investment Consultants;
- G.R.Financial Advisors;
- GS Investment Solutions; and
- Way 2 Wealth

It was noticed by audit that all these firms with the exception of the last two belonged to a single family consisting of Sri M.Narayana Rao, his son Sri M.Gururaj and grandson Sri M.Rahul. Different firms had been flouted in the names of different members of the same family for tax purposes but these firms represented a single source for routing funds to the Mutual Funds. It is interesting to note that all the three FMs preferred only these brokerage firms for investing in Mutual Funds, indicating their collusion with such firms belonging to a family for remaining in constant touch with them in the given scheme of things.

The volume of purchases routed through these brokerage firms during 1999-2014 has been shown in **Table-4.8**.

**Table-4.8: Investments routed through brokerage firms**

(₹ in crore)

Sl. No.	Name of the brokerage firm	Purchases routed through the firm
1	Green Homes India	811.80
2	GS Financial Services	1,363.25
3	RG Financial Advisory Services	52.00
4	GS Investment Solutions	275.00
5	SGR Investment Consultants	23.00
6	G.R.Financial Advisors	309.40
7	Investquest Advisors Private Ltd	30.00
8	Way 2 Wealth	2.00
9	Direct	37.00
	<b>Total</b>	<b>2,903.45</b>

(Source: Information obtained from mutual fund houses)

**(d) Heavy churning of investments in Mutual Funds**

Moving either the whole or part of the investment from one mutual fund scheme to another mutual fund scheme within the fund family is called switching of mutual funds. For instance, moving some or all the units from HDFC Top 200 to HDFC Balanced Fund would be considered switching. A switch from one fund (source) to another fund (target) is a combination of two transactions.

- Redemption of units in the source or the scheme from where it is switched out; and
- Fresh purchase of units in the target or the scheme into which it is being switched.

A majority of the investments had been made in equities which offered higher commission to the brokers. The modus operandi in investment of funds by the three FMs was to invest in the mutual fund schemes initially and to move from one fund to another frequently with a view to increase the amount of commission through switches. Over-transaction and indiscriminate churning of Mutual Fund investments through switches to earn higher commissions were also observed.

The commission paid by various Mutual Funds has been shown in **Table-4.9**

**Table-4.9 Commission paid to the brokerage firms**

(₹ in crore)

Sl. No.	Name of the Mutual Fund	Commission paid for initial purchases	Commission paid for switches	Total commission paid to the brokerage firms	Percentage of Commission for switches to total commission
1	BSL	8.70	19.25	27.95	69
2	HDFC	1.29	7.04	8.33	85
3	HSBC	1.74	3.32	5.06	66
4	L & T	0.01	2.32	2.33	100
5	TATA	0.02	0.37	0.39	95
6	BNP	1.85	0.16	2.01	8
7	PMF	3.01	1.16	4.17	28
8	SBI	0	0.38	0.38	100
9	Taurus	0.09	0	0.09	-
	<b>Total</b>	<b>16.71</b>	<b>34.00</b>	<b>50.71</b>	<b>67</b>

(Source: Information obtained from mutual fund houses)

Thus, commission of ₹50.71 crore was paid by various Fund Houses to the brokerage firms. Out of these commissions, ₹34 crore (67 per cent of the total commission) had been paid for the switches. Birla Sun Life (including ING Vysya and Alliance) Mutual Fund paid the highest commission of ₹27.95 crore (55 per cent of the total commission paid by all the Fund Houses). A scrutiny of the trail fees paid in respect of investments made by Birla Sun Life Mutual Fund showed that the investments under various schemes had been switched indiscriminately at very short intervals of time to maximise the commission. The details have been shown in **Table-4.10**.

**Table-4.10: Indiscriminate churning of investments in Birla Sun Life Mutual Fund**

(₹ in crore)

Number of days the investments were retained under various schemes	Investment transferred through switches	No. of occasions such transfers had been made
1 to 5	252.58	30
6 to 10	326.74	37
11 to 15	389.21	54
16 to 20	553.81	63
21 to 31	2,857.61	476
32 to 60	617.02	76
61 to 91	657.53	125

(Source: Information obtained from mutual fund houses)

Though the commission was paid by the Fund Houses directly to the brokerage firms, the churning of investments had been done by the three FMs. As multiple transactions through churning was beneficial only to the brokerage firms as it fetched them higher commission, it was evident that the FMs would not have resorted to unjustified and frequent churning to promote the interests of the brokerage firms unless they had a stake in the commission.

Audit is neither in a position nor empowered to investigate whether the commission earned by the brokerage firms had been passed on to the FMs or their *benami* sources in some form or other. The parallel investigation entrusted to the State Criminal Investigation Department could throw light on this issue and identify the ultimate beneficiaries of the commission paid by the Fund Houses.

**(e) Injudicious investment of moneys available in Pension Fund in Mutual Funds**

The BDA in its Board meeting held on 23 June 2008 resolved to establish a separate Pension Trust and introduce a Pension Scheme for the benefit of its regular/permanent employees. Accordingly, a separate Trust was established and the trust deed was registered on 15 May 2009 under the name of the Bangalore Development Authority Employees Pension Trust Fund.

As per the trust deed, the Trust headed by the FM was to function as an independent body to oversee the management of Pension Fund contributed by the BDA. The Fund was to be operated and managed by the Trust and the Trustees were to invest/deposit all the moneys not immediately required for

the purposes of the fund only in the State Bank of India or Nationalised Banks/Government Securities with the approval of the Commissioner.

The BDA made an initial contribution of ₹50 crore to the Pension Fund (April 2010), which was invested in Term Deposits with Canara Bank. During February 2013, it was resolved by the Trust to invest a further sum of ₹50 crore in Income Fund Scheme of nationalised banks which was in violation of the trust deed.

Initially, ₹10 crore was invested in SBI Magnum Income Fund on 3rd May 2013. As the interest earned was higher compared to interest offered by Nationalised banks, it was decided to invest additional ₹40 crore in SBI Magnum Income Fund on 5 June 2013. On 10 September 2014, the investment was redeemed and ₹50.91 crore was realised and credited to the Trust account. The brokerage paid on account of this transaction was ₹60.48 lakh and the transaction was routed through the same brokers, who had executed the mutual fund transactions of BDA.

Thus, the Trust disregarded the guidelines of the trust deed and invested ₹50 crore in Mutual Fund. As a result, the investment in Mutual Fund returned a profit of only ₹0.91 crore, as against ₹6.44 crore that could have been earned as of September 2014 had the amount been invested in Term Deposits. Taking the interest loss further till July 2015, the interest loss to the BDA aggregated ₹9.50 crore.

#### 4.3.6 Reply of the Government

In reply to the Special Audit Report issued in August 2015 by the Principal Accountant General (G&SSA), Karnataka, the Government admitted (December 2015) that though the investments in Mutual Funds were *per-se* unauthorised, the FMs had not disclosed these investments in the accounts. It was also admitted that the BDA did not have any records (central register of bank accounts, authorisation *etc.*) of bank accounts opened, operated and closed during 1999-2014, and as pointed out by audit, several bank accounts had not been disclosed in the accounts as these accounts had been opened without authorisation and had been operated exclusively for diversion of the BDA's funds to Mutual Funds.

The Government further accepted the fact that the SDA of the BDA misused the responsibility entrusted to him to control the banking process and diverted BDA's funds and that there was a lacuna in the work allocation, whereby all banking transactions, maintenance of important registers and possession of documents were vested with the SDA. It was also admitted that the SDA and IOB were involved in fabricating confirmation letters and that criminal investigation was being undertaken by the State CID.

The Government further admitted that no written communications had been sent to the banks for inter and intra-bank transfer of funds during 1999-2014 and that the approval of the Commissioner had not been obtained by the authorised branches for investment of moneys in Term Deposits in respective branches.

The Government replied that the banks were also major players in the scam as they acted upon the oral instructions of the FMs which facilitated not only persistent diversion of BDA's funds, but also non-detection of such diversion over a long period of time. Further, it was accepted that the Chartered Accountant who was responsible for conducting internal audit did not point out any shortcomings in the accounts and the illegal diversion of BDA's funds in mutual funds.

The Government did not offer any comments on audit observations about investment of funds in Mutual funds, but agreed that the records were falsified and transfer of money to unauthorised bank accounts and to Mutual Funds was camouflaged as Term Deposits both in the Cash book and Investment register. It was also stated that a civil suit would be filed to recover the loss from the FMs and SDA concerned.

#### **4.3.7 Conclusion**

The BDA had no investment policy to manage its surplus funds. An investment committee constituted had no guidelines to work with. The three FMs during the period 1999-2014 had violated all principles of financial propriety, failed to maintain financial records as per the provisions of KFC and to conduct internal audit, did not ensure proper checks and balances through segregation of duties of staff in the finance wing. The SDA, banks and brokerage firms aided, abetted and participated in committing various financial irregularities.

The BDA's funds were diverted to Mutual Funds and transferred to other organisations by opening and operating unauthorised bank accounts, creation of fake Term Deposits, suppressing of facts, falsification of records, preparation of misleading financial statements and destroying the trail of all transactions.

The unauthorised transfer of funds for investment in Mutual Funds and also to other organisations that audit was able to track resulted in financial loss of ₹205.85 crore to the BDA. The unauthorised transfer of funds aggregating ₹6.17 crore to BMRCL, Coffee Board and Karnataka Backward Classes Department Buildings Construction Society represented cases of misappropriation of BDA's funds.

#### **4.3.8 Recommendations**

- BDA should identify its risks in the context of its activity, particularly banking arrangements. BDA should prepare a documented framework that identifies, analyses and assesses key risks. This framework including the fraud control plan will provide useful tools for effective organisational risk management.
- BDA should ensure that the control framework for agency banking is supported by its Chief Executive's instructions, related policies and procedures, and short and long term investment strategies.

- BDA should carry out bank account rationalisation by undertaking a cost-benefit analysis to identify an appropriate balance between administrative efficiency in transaction and reconciliation processes, and facilitate better cash management.
- BDA should enhance its systems and processes for the collection of information on future cash requirement so that it can maximise the opportunity to invest surplus funds.
- BDA should include monitoring and review of performance measurement activity as a tool to improve banking and cash management functions.
- The trail of all Term Deposits recorded in the Investment Register during 1999-2014, including those made from collection accounts, should be traced from the date of investment to the date of redemption to ensure that there are no fake Term Deposits other than the ones detected by audit. This is essential as audit confined itself to identifying the fake Term Deposits only in respect of funds diverted for investments in Mutual Funds.
- BDA should improve efficiency and effectiveness of its banking arrangements through implementation of management controls that are appropriately designed to monitor specific control activity, particularly the timely completion and review of bank reconciliations.
- The key tasks and responsibilities among various employees and sub-units of the organisation should be segregated so that no single individual should be able to control all key aspects of transactions/ events.
- An independent Internal Audit wing should be established immediately to bring about a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit activity should extend not only to the Finance Wing but also to all other wings of the BDA.
- Besides recovering the loss, responsibility may be fixed and appropriate action taken so as to discourage any such attempt in future.

The Government accepted (December 2015) the recommendations made by Audit. It further stated that it would require time to implement some of the recommendations and would submit status report at periodical intervals. In addition, Government stated that based on the recommendations, a separate independent wing for bank reconciliation, compilation of monthly accounts and internal audit has been established in the Finance Wing of the BDA and the job responsibilities in cash section of the BDA have been segregated.

**Department of Education  
(Primary and Secondary Education)**

**4.4 Laxity in implementation of a scheme**

**Deficiencies in implementation of the scheme on 'Inclusive Education of the Disabled at the Secondary Stage' by the State Government and also disregarding of guidelines issued by the Ministry of Human Resource Development resulted in loss of central grants of ₹18.93 crore for the year 2009-12, and excess payment of ₹1.85 crore besides resulting in children and young persons with disabilities being deprived of the facilities in education which were envisaged for them.**

Government of India envisaged a scheme of 'Inclusive Education of the Disabled at the Secondary Stage' (Scheme) to enable all children and young persons with disabilities to have access to secondary education (classes IX to XII) and to improve their enrolment, retention and achievements in the general education system. The scheme which was implemented during 2009-10 covered all children of 14 plus age group studying at secondary schools in Government, Local Body and Government aided schools with one or more disabilities<sup>88</sup> as defined under the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 and the National Trust Act, 1999.

The scheme which is in the form of assistance for the two components<sup>89</sup> viz., Student Oriented component and other components, was to be implemented through the Education Department of the State Government directly. Further, it could involve Non Government Organisations (NGOs) having experience in the field of education and rehabilitation of the disabled. In the State, Directorate of Urdu and Other Minority Language Schools under the Department of Education was the implementing agency with the help of NGOs.

On scrutiny of the records with regard to implementation of the scheme, we observed the following:

- State had to set up a co-ordination committee at various levels and an Administrative cell to help in planning, implementation, monitoring and evaluation of the scheme. During 2009-14, there, however, was neither co-ordination committee set up at State, district or sub district level nor Administrative cell set up to monitor and evaluate the scheme.

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<sup>88</sup> Disabilities namely, blindness, low vision, leprosy cured, hearing impairment, locomotors disabilities, mental retardation, mental illness, autism and cerebral palsy are eligible for coverage under the scheme.

<sup>89</sup> Student Oriented Component such as, for medical and educational assessment, books and stationery, uniforms, transport allowance, reader allowance, stipend for girls, support services, assistive devices, boarding and lodging facility, therapeutic services, teaching learning materials *etc.*

Other Components, such as appointment of special education teachers, allowances for normal teachers for teaching such children, teacher training, orientation to school administrators, provision of resource room, provision for barrier free environment *etc.*

- There was no evidence to indicate transparency in selection of NGOs.
- The State Government had to collect the quantitative data and prepare state specific report and forward the same to Ministry of Human Resource Development (MHRD). The State, however, except for forwarding the Utilisation Certificates (UCs) received from the NGOs had not prepared any state specific report.
- Though UCs for the years 2009-12 were forwarded as detailed in **Table-4.11** to the MHRD, the funds were not released in view of complaints received from certain voluntary organisations regarding impropriety in implementation of the scheme. In this regard, the MHRD constituted (April 2012) a committee to study the implementation of the scheme in the State. The committee after visiting three districts<sup>90</sup> reported (October 2012) that the scheme was being implemented by NGOs without involvement of State Government which was contradictory to the guidelines issued by MHRD. It was also observed that no model schools had been set up to develop good replicable practices in inclusive education and that many of the NGOs involved in implementing the scheme were not aware of the provisions of the scheme and covered only students with specific disability which was against the spirit of the scheme. It further observed that teachers recruited were not qualified as specified in the scheme guidelines, most schools lacked access facilities as well as resource rooms for the students with disabilities, no proper assessment of educational needs of children and each child had not been provided with learning material as per their needs. Further, recommendations for better implementation of the scheme in the State were also given.

**Table-4.11: Details of UCs forwarded and amount received**

(₹ in crore)

Year	Amount utilised	UC forwarded to MHRD on	Amount received	Date of receipt of amount from MHRD
2009-10	3.95	6/2010, 11/2010 and 2/2011	1.70	6/2014
2010-11	11.89	Proposal not approved		
2011-12	21.49	6/2014	16.70	6/2014

- Subsequent to the report of the committee constituted by MHRD, the Director of the implementing agency constituted (January 2013) a three Member Committee at the Taluk level headed by the Block Education Officer to examine the claims and evaluate the implementation of the scheme. In test-check cases (**Appendix-4.16**), we observed that though the committee had explicitly declared the claim of ₹1.85 crore by the NGOs doubtful, the Department had honoured the claim and made payment.
- Further, in four test-checked cases (**Appendix-4.17**), though the procedure prescribed for admitting the claims were not followed, payment of ₹0.33 crore was made to the NGOs which was irregular.
- Meanwhile, the Honourable High Court while disposing (April 2014) the writ petition filed by the Karnataka State NGOs Federation seeking release of funds which was overdue, directed the MHRD to verify the UCs and release the payments. Consequently, MHRD restricted the funds for the

<sup>90</sup> Bengaluru, Kolar and Tumakuru

year 2009-10 and 2011-12 to ₹1.70 crore and ₹16.70 crore respectively. Further, claim for the year 2010-11 amounting to ₹11.89 crore was not approved as the required information was not furnished by the State Government.

- On account of rejection of proposal of the State for the year 2012-13 by the MHRD, the implementing agency did not compile the data for the said year.

While replying to above observations, the Government stated (December 2015) that the department issued circulars regarding selection of NGOs. However, it was observed in audit that there was no evidence to indicate transparency in the selection process. Government also confirmed that no model schools, for replication throughout the State were established. It was also stated that various NGOs have been told to reimburse the excess amounts claimed and also that cases have been initiated for booking of criminal cases against defaulting NGOs.

Thus, various deficiencies in the implementation of the scheme by the State Government and disregard for guidelines issued by the MHRD, resulted in children and young persons with disabilities being deprived of the facilities in education which were envisaged for them, besides resulting in loss of Government of India grants of ₹18.93 crore for the year 2009-12. Further, due to lack of monitoring, it incurred an excess payment of ₹1.85 crore and irregular payment of ₹0.33 crore.

### **Department of Health and Family Welfare (Medical Education)**

#### **4.5 Unproductive Investment**

**Purchase of commercial off-the-shelf package software ‘Campus Resource Management’ of a private software company by various medical institutions, without study of user specification or understanding of business needs, resulted in non-utilisation of software procured and also rendered the amount of ₹2.68 crore invested on the software unproductive.**

The norm for most organisations is to purchase commercial off-the-shelf package software which is either modified or extended to suit their business needs. The adaptive approach which is one of the main approaches to procure package based software involves the following four constituent activities:

- Specification of requirements
- Understanding the available packages
- Assessment of package compatibility (with respect to the requirements)
- Selection of the best available package.

The various medical institutions across the State gave opportunity (2008 and 2009) to M/s. VAPS Technosoft (Pvt.) Limited, a private software company (VAPS) for demonstrating its software on Campus Resource Management and

Hi-End Technologies on the recommendation (August 2008) of Honourable Minister for Medical Education. In continuation, the Honourable Minister for Medical Education directed (February 2009) the medical institutions to make necessary arrangements to procure the technology by following procedures for procurement.

Government Dental College and Research Institute (Institute), Bengaluru based on the above direction, invited tenders (March 2010) in two cover system for Configuration, Installation and Implementation of Enterprise Resource Planning based Business Solution for Campus Management Software and supply and installation of associated hardware and software (project). The work involved:

- Supply and installation of associated hardware and software
- Implementation of customisation of readily available Campus Management Software.

In response to tenders, only two companies participated in the tender process and the proposal of VAPS was recommended (May 2010) by the Technical Expert who in his Technical evaluation report stated that the tenderer had quoted for all the modules and had also implemented similar projects in Mysore Medical College, Mysuru and Belagavi Institute of Medical Sciences, Belagavi. Based on the approval (May 2010) given by the Tender Scrutiny Committee, the work was entrusted (May 2010) to VAPS at a cost of ₹70.18 lakh. In this regard, audit observed the following:

- Existing business practices of the Institution was not studied and a user requirement specification was not finalised before inviting tenders.
- Technical specifications of the tender documents issued by the Institute included all the modules of the VAPS software, and as a result, only the bid of VAPS qualified and bid of the other participant was rejected.
- The Financial Committee in its meeting (June 2009) had initially decided not to go ahead with the project citing that the Institute was a small organisation and implementation of the project was financially not viable. The decision was however revised in the Administrative Council meeting (August 2009) chaired under the Honourable Minister of Medical Education which decided on the computerisation.
- The technical expert in his technical evaluation report (May 2010) while recommending VAPS stated that the tenderer had already implemented similar project in Mysore Medical College and Belagavi Institute of Medical Sciences which was found to be factually incorrect as the implementation of the software in Mysore Medical College was still in progress and work order in Belagavi Institute of Medical Sciences was issued only in April 2010.
- Further, though the Government had directed (December 2009) the Institute to take assistance of technical advisory panel of e-governance for finalising the requirement specification, it was turned down by the Honourable Minister of Medical Education stating that the Directorate of Electronic Delivery of Citizens Services had already communicated regarding non-availability of resources for such activity on earlier occasions.

- The Institute had made a total payment of ₹52.50 lakh towards the project. However, the institute was unable to utilise the project as the software installed was not functioning.
- The Honourable Minister of Medical Education directed (January 2012) Principal Secretary to Government, Medical Education for making necessary arrangements for a third party inspection (by a private company) towards satisfactory implementation of the project.
- Honourable High Court while disposing the writ petition filed by VAPS against the Government order (May 2012) issued towards third party inspection recommended for joint inspection, if desired, by both the respondents. However, the Institute is yet to take action on the High Court's order.

Scrutiny of records of four<sup>91</sup> other medical institutions that had awarded the project to VAPS revealed that the chronology of events was similar to that of Government Dental College and Research Institute, Bengaluru and the project was not functional in all the four medical institutions. The medical institutions and Government in its reply (between January 2015 and June 2015) accepted that the project was not utilised. Hence, the total payment of ₹2.68 crore towards the project in test-checked five medical institutions remained unproductive.

Thus, procurement of a software without assessing and understanding the business requirements or study of user specification and without confirming the suitability of software, resulted in unproductive investment of ₹2.68 crore.

The matter was referred to Government in June 2015; reply is awaited (November 2015).

## Department of Home

### 4.6 Loss of Central assistance

**Non-compliance with the guidelines issued by Ministry of Home Affairs with regard to utilisation of funds released to the State under the Scheme for Modernisation of Police Forces resulted in loss of Central assistance of ₹79.16 crore during 2013-15.**

Government of India, Ministry of Home Affairs (Ministry) while approving (February 2013) continuation of Scheme for Modernisation of State Police Force (Scheme), for further period of five years from 2012-17 laid down guidelines for implementation of the scheme. The scheme aimed at modernising police forces in terms of mobility, weaponry, communication systems, training, Forensic Science Laboratory/Finger Printing Bureau, Equipments and Buildings. As per the guidelines, the funds were to be

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<sup>91</sup> Mysore Medical college and Research Institute, Mysuru – ₹52.71 lakh; Raichur Institute of Medical Sciences, Raichur- ₹47 lakh, Belagavi Institute of Medical Sciences, Belagavi – ₹49.25 lakh and Vijayanagar Institute of Medical Sciences, Ballari- ₹66.75 lakh.

released partly under non-Plan and partly under Plan. The State was eligible for financial assistance on 60:40 Centre-State sharing basis. In addition, the guidelines stipulated that:

- Funds not released due to unspent balances in the States, as at the end of December were to be pooled and released to better performing States which have a faster pace of expenditure.
- Utilisation certificate (UC) at the end of each financial year was to be submitted. In the additional instruction issued (September 2014) by Ministry, it was emphasised that unless UCs were available for the full amount released, no further releases shall be made to the State Government.

On scrutiny of records, we observed that against the releases of ₹83.01 crore, ₹53.37 crore and ₹19.49 crore during 2010-13, the State had utilised ₹75.58 crore, ₹50.23 crore and ₹11.61 crore respectively leaving a balance of ₹7.43 crore, ₹3.14 crore and ₹7.88 crore unspent as at the end of March 2014. As a result, though ₹54.96 crore and ₹35.56 crore was allocated during 2013-14 and 2014-15 respectively, to the State under the non-Plan, no grants<sup>92</sup> were released. Subsequent to the additional instructions issued by the Ministry, the Additional Director General of Police (ADGP), Communication Logistics and Modernisation while reviewing (September 2014) the implementation of the scheme, directed the unit offices to expedite the procurement process. However, the utilisation certificates issued as at the end of March 2015, indicated un-utilised amount for the years 2010-13 as ₹9.22 crore.

Non-utilisation of the grants released towards Modernisation of Police Force during 2010-13 by the various units of police force is as detailed in **Table-4.12**.

**Table-4.12: Non-utilisation of grants released towards Modernisation of Police Force**

(Amount : ₹ in crore)

Unit Name	Amount Released	Amount Utilised	Balance	Reason for non-utilisation
ADGP, Intelligence	5.74	4.63	1.11	Cancellation of tender process.
Inspector General of Police, Headquarters	7.30	0	7.30	Proposal for procurement of weaponry was sent to the Ministry during August 2011. In spite of several reminders, no communication was received. During April 2015, the State was advised to contact Central Reserve Police Force for procurement of weaponry.
Crime Investigation Department	2.09	1.28	0.81	Election code of conduct resulted in delay for tendering and cancellation of tender process.

Further, we also observed that while approving annual action plan of the State every year, the Ministry had made observations on the un-utilised amount and had also warned the State with regard to deductions in release of grants. However, due to reasons indicated in the table above, the amount released

<sup>92</sup> Except for ₹6.23 crore and ₹5.13 crore, which was released by the Ministry directly to Ordinance Factory Board, Kolkata during 2013-15 under the head weaponry.

during 2010-13 for procurement of equipments and weaponry remained un-utilised. In reply, Government stated (August 2015) that the delay in utilisation of funds was due to technical reasons and would be utilised in the current year. The fact, however, remains that due to delay in utilisation of funds, the State lost central grants for 2013-15.

Thus, non-compliance with the guidelines issued by the Ministry deprived the State of central assistance to the extent of ₹79.16 crore during 2013-15.

## Department of Housing

### 4.7 Irregular extension of salary benefits

**The Karnataka Slum Development Board by extending salary benefits to the graduate officials in a lower cadre based on Court's order in respect of officials in a higher cadre was irregular which resulted in excess expenditure of ₹1.08 crore.**

According to Rule 5 of Karnataka Slum Clearance Board (Board) Services (Cadre and Recruitment and Conditions of Service) Rules, 1999, all rules applicable to Government servants relating to recruitment and conditions of service including Karnataka State Civil Services (Regulation of promotion, Pay and Pension) Act, 1978 shall *mutatis mutandis* be applicable to the Board employees.

The Board, based on the Honourable High Court's order, granted (February 2003) time scale of pay of First Division Assistants (FDA) to graduate officials who were initially appointed on daily wage basis and later regularised in the same cadre. The Board while granting the above benefit, extended the same benefit to another 21 graduate officials who were appointed in the cadres of Second Division Assistants, Typists, Data Entry Operators and Work Inspectors who continued to officiate in the same cadres, although these posts carried lower scales of pay. Further, the Board in its office memorandum (November 2003) allowed higher time scale of pay to be granted from their respective date of appointment and the financial benefits were granted from the date of issue of office memorandum.

Granting of higher time scale of pay to officials officiating in the lower cadre based on the Honourable High Court's order pertaining to a different context was not in order. The Board had also not obtained sanction of the Government for extending such benefits and hence granting of such higher pay was irregular.

Scrutiny of the Service Registers of the 21 graduate officials<sup>93</sup> (**Appendix-4.18**) who were extended the above said irregular benefit revealed that there was an excess payment of ₹92.60 lakh and ₹14.93 lakh by way of Pay/Dearness allowance and pensionary benefits between November 2003 and

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<sup>93</sup> 10 Graduate officials in service, five graduate officials retired between April 2012 and August 2014 and six officials who were given benefit erroneously.

December 2014 respectively. Thus, the irregular extension of benefits had resulted in anomalies as well as additional expenditure to the Board.

The Board replied (May 2015) that the benefits were extended to other graduate officials based on the directions of the Honourable High Court of Karnataka<sup>94</sup> and Government's confirmation (September 1999). The Government while endorsing (August 2015) the above reply, also requested for humanitarian consideration, since many of the officials were on the verge of retirement. The reply was not acceptable as the directions of Honourable High Court of Karnataka and the State Government's confirmation were only regarding granting of higher time scale of pay to the graduate officials initially appointed in the FDA cadre on daily wage basis and later regularised in the same cadre. Extension of same benefits to other graduate officials officiating in lower cadres which resulted in excess expenditure of ₹1.08 crore to the Board was irregular. The Board, presently, needs to take corrective action by re-fixing the pay of existing officials as per rules thereby reducing its further excess expenditure.

#### **4.8 Wasteful expenditure on housing scheme**

**The Karnataka Housing Board acquired land in villages for a housing project, and went ahead with construction works, when response to demand survey was poor and also when it was known that these lands were prone to floods, and rehabilitation of the villages in its vicinity were under consideration of the Government. The shelving of the project resulted in wasteful expenditure of ₹2.56 crore.**

The Karnataka Housing Board Act, 1962 and Rules made thereunder, empower the Board to formulate and implement housing schemes to cater to the housing needs of the State population. Before embarking on a housing scheme, the Board is to conduct a demand survey to ascertain the likely response to the proposed scheme, identify the land required for the purpose after examining the on-site and off-site facilities, prepare a feasibility report and obtain the sanction of the Government to the scheme.

Bypassing the above procedure, the Karnataka Housing Board (KHB) envisaged (March 2006) a housing project in Ramdurg taluk, Belagavi district and acquired (May 2006) 15 acres 19 guntas of land of Kankanawadi village at a total cost of ₹47.50 lakh. The project consisting of 249 residential sites of various dimensions was taken up under the Suvarna Karnataka Housing Scheme at a total cost of ₹4.10 crore.

On scrutiny of the records, we observed that the project was held to be not feasible by several officers as indicated below:

- Letters addressed to the Chief Minister of Karnataka, Deputy Commissioner, Belagavi and Executive Engineer, KHB, by the local Member of Legislative Assembly (June 2006, July 2006 and August 2006) stated that the land was unsuitable for housing project as the land

<sup>94</sup> Issued between February 1999 and October 2002

- was prone to floods due to its close proximity to the Malaprabha river and left bank canal and had requested to shelve the project on the said land.
- The Assistant Commissioner, Bailahongal Sub-Division in his letter addressed to the Deputy Commissioner, Belagavi (August 2006), copy of which was endorsed to KHB on the viability of the site specified that the land was prone to floods and also rehabilitation of the villages in the vicinity was under consideration by the State Government.
  - The Special Land Acquisition Officer based on the report of the Sub-divisional officer informed (September 2006) the Executive Engineer about unsuitability of the land.
  - The report of the Assistant Executive Engineer, Karnataka Neeravari Nigam Limited, Sub-division 2, Navilutheertha indicated that the reservoir had reached its full capacity even during August 2006 and August 2007.
  - The Joint Director of KHB in his letter (August 2007) addressed to the Executive Engineer indicated that it had received only 18 applications for the demand survey conducted on the project and requested for a feasibility report.

Despite knowing about the above facts and circumstances, we observed that KHB went ahead with the project and appointed an Architectural and Engineering firm (January 2010) and a Project Management Consultant (January 2011) for preparing Detailed Project Report and Contract Management and Construction supervision, respectively. The developmental works of the project were entrusted (November 2010) to a contractor on the basis of lumpsum, fixed price at a cost of ₹2.72 crore. After a lapse of two months, the KHB handed over (January 2011) the site to the contractor. However, during September 2011, due to incessant rain and release of water from the reservoir upstream, the work site was submerged and the developmental works were stopped. In this regard, the Commissioner constituted (December 2011) a task force which was headed by Superintendent Engineer, KHB and Additional Director, KHB. The task force in its report (January 2012) confirmed that the area was prone to flood and was flooded on three occasions in the last 10 years. Hence, the Board of KHB in its 442<sup>nd</sup> meeting resolved (July 2012) to shelve the project, settle the claims of the contractor, initiate departmental enquiry against the delinquent officers and to black list the Architectural and Engineering firm and Project Management Consultant. The total expenditure incurred towards the project was ₹2.56 crore.

Government replied (October 2015) that action would be taken to dispose the land without any financial loss to the Board. However, this reply does not explain as to why a contract was awarded for developmental works on land which was known to be unsuitable and flood prone and as to why the report that there was negligible demand for the project was blatantly ignored. Moreover, reply was silent on action against delinquent officers and firm. Also, prospect of disposal of the land located in a flood prone area does not appear to be bright. Thus, overlooking of prescribed procedures by the KHB before embarking on an unsuitable housing scheme resulted in wasteful expenditure of ₹2.56 crore.

## DEPARTMENT OF LABOUR

### 4.9 Avoidable payment of income tax and penal interest

**Non-availing of exemption under the Income Tax Act, 1961 by the Karnataka Building and Other Construction Workers' Welfare Board resulted in avoidable payment of ₹42.83 crore towards income tax and ₹ three crore towards penal interest.**

The provisions of section 11 to 13 of the Income Tax Act, 1961 (IT Act) prescribe several conditions to be satisfied by the entities registered under section 12A of the IT Act, to make them eligible for exempting their income from income tax. Further, the special provisions of law under section 197 of the IT Act, read with Rule 28 AB of the IT Rules, enable the charitable and religious entities claiming exemption under section 11 or 12 to seek exemption from Tax Deduction at Source (TDS).

The Karnataka Building and Other Construction Workers' Welfare Board (Board) was constituted (January 2007) by Government of Karnataka under Building and Other Construction Workers' (Regulation of Employment and Condition of Service) Act, 1996 for providing social security schemes and welfare measures for the construction workers. In order to provide the welfare activities, cess at the rate of one *per cent* is levied and collected as deduction at source in relation to building or other construction work of a Government/Public Sector Undertaking or advance collection through a local authority where an approval of such building or other construction work by such local authority is required. Unspent cess amounts so collected were deposited in various Nationalised Bank as fixed deposits.

On scrutiny of records, we observed that the Board which was registered (September 2008) as 'Charitable Trust' under section 12A read with section 12AA (1)(b)(i) of the IT Act had submitted Form 15 H under section 197 A (1A) of the IT Act to the banks and had requested not to effect TDS from interest earned out of fixed deposits. We, however, observed that Income Tax Department had served notices (September and October 2013) to the banks for non-deduction of income tax on interest payments made to the Board for the financial years 2011-13. The appeal made by the banks against the demand notice was dismissed (March 2014) by the Commissioner of Income tax based on the fact that the banks had exceeded their authority as a tax deductor under the IT Act. Subsequently, the banks recovered TDS for the financial years 2011-13. In continuation, banks deducted TDS for the financial years 2013-15 also and the total TDS deducted by banks are detailed in **Table-4.13** below.

**Table-4.13: Tax deducted at Source by various Banks**

(₹ in crore)				
Sl.No.	Financial Year	Fixed Deposits	Cess collected	Tax Deducted at Source
1	2011-12	1,177.61	360.62	3.45
2	2012-13	1,752.10	483.58	6.59
3	2013-14	2,290.30	476.10	17.41
4	2014-15	Yet to be received from Board		15.38
<b>Total</b>				<b>42.83</b>

Further, we observed that the registration as 'Charitable Trust' under section 12 A by the Department of IT was conditional and the Board had to fulfill the following conditions for tax exemption:

- ✓ The Board had to furnish the return of income every year as required by the IT Act.
- ✓ The availability of tax exemption had to be granted by the Assessing Officer of the IT Department subject to fulfillment of conditions laid down in sections 11 and 13 of the IT Act.

The Board, however, had filed its annual income tax returns for the financial years 2008-13 belatedly and was yet to file the returns for the year 2013-14. Also, the Board had not made any application to the Department of IT under various sections of IT Act for exempting their income from tax. Thus, the Board did not make use of the enabling provisions available in the IT Act for availing tax exemption which resulted in payment of tax of ₹42.83 crore on its income<sup>95</sup> during 2011-15.

Apart from the above, the Department of IT, under section 201 (1A) of IT Act, levied banks with ₹ three crore as penal interest. The said penal interest was however, recovered by the Banks out of the interest receipts of the Board on the deposits with them. Since, the Board had not produced a certificate of exemption under section 197 (1) of IT Act, as per section 194A of IT Act, it was mandatory on the part of the Banks to effect TDS. Also, the Board had submitted Form 15 H to the Banks without being eligible. Hence, levy of penal interest was attributable not only on the failure of Banks but also on failure of the Board, which was avoidable.

Government stated in reply (October 2015) that action has been initiated to obtain tax exemption certificate from the authorities of IT. It also stated that the Banks will be directed to file an appeal against levy of penal interest. Thus, non-adherence to required procedures and inaction by the Board resulted in avoidable payment of ₹42.83 crore towards income tax and ₹ three crore as penal interest.

## Department of Urban Development

### 4.10 Non-revision of water rates for domestic connections

**In spite of the State Government revising the water tariff in July 2011, the Karnataka Urban Water Supply and Drainage Board continued to provide water supply at pre-revised rates to Kolar Gold Fields City Municipal Council which resulted in loss of revenue of ₹1.18 crore.**

The Karnataka Urban Water Supply and Drainage Board (KUWS&DB) supplies water to all the urban areas of the State except Bengaluru city for domestic, non-domestic and commercial/industrial purposes. The various provisions for supply of water under KUWS&DB Act, 1973 are as under:

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<sup>95</sup> Interest earned out of fixed deposits.

Section 17(1)(a)	The Board shall perform at the instance of the Government or a Local Authority or <i>suo motu</i> investigating the nature and type of the scheme that can be implemented in the area of any local authority for provision of drinking water, execute such scheme under phased programme.
Section 28(A)(1)	The Government may, by order direct the KUWS&DB to undertake operation and maintenance of all water supply schemes subject to such terms and conditions as may be specified.

In order to provide satisfactory water supply and drainage services and also to minimise availing of Government grants/loans, Government opined that local bodies had to increase its revenue through user charges. Further, as overheads on maintenance of potable water supply such as salary of the maintenance staff, power charges, cost of chemicals, repair charges, *etc.*, had increased exorbitantly, Government revised the water tariff in July 2011 which were to be implemented with immediate effect. While revising the rates, the Government prescribed the local bodies to conclude Memorandum of Understanding (MoU) with KUWS&DB after verifying all the aspects of the order. All the revisions in the said order were based on the study report jointly conducted by KUWS&DB and Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC).

Scrutiny of records of maintenance of water supply scheme for the Kolar Gold Fields City Municipal Council (CMC) showed the following:

- Water supply scheme for the CMC was being undertaken by the KUWS&DB since its inception without any specific directions from the Government and was adopting the water rates and other charges as specified by the Government from time to time.
- The KUWS&DB had not entered into any MOU with the concerned local body as being specified in the Government Orders issued from time to time in respect of revision of rates.
- Even though the State Government had revised water tariff in July 2011 with the water tariff for non-metered domestic connections in municipal areas being revised from ₹90 to ₹120 per connection, the KUWS&DB continued to supply water at the pre-revised lower rate. The loss of revenue as on March 2015 in the said CMC worked out to ₹1.18 crore<sup>96</sup>.

Government stated (November 2015) that water supply to the KGF had dried up and water was being supplied through borewells. It further attributed the non-revision to less frequency of water supply to the city. The reply was not acceptable as the Government order had revised the rate based on the increase in overheads on maintenance cost of the potable water supply which was applicable to borewells also. Also in any case, if the Government Order for increasing the water rates was to be waived, there should have been a proposal for waiving and Government's acceptance of the same, and the Government

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	No. of connections	No. of months	Difference in rate (₹ Per month)	Total (₹)
As on April 2011	8,548	44	30	1,12,83,360
2011-12	246	36	30	2,65,680
2012-13	217	24	30	1,56,240
2013-14	274	12	30	98,640
<b>Total</b>				<b>1,18,03,920</b>

Order rescinded, which was not so. Further, the KUWS&DB has implemented the revision of water tariff from September 2015 in the said city.

Thus, failure of the KUWS&DB to revise the water rates as per the revised rates resulted in loss of revenue of ₹1.18 crore.

#### 4.11 Avoidable expenditure on debt servicing

**Non-utilisation of the option given by Reserve Bank of India to switch over to Base Rate System from Benchmark Prime Lending Rate by the Karnataka Urban Water Supply and Drainage Board in respect of loans availed from banks, resulted in avoidable interest payment of ₹1.98 crore.**

Karnataka Urban Water Supply and Drainage Board (Board) had ongoing 15 urban water supply schemes and six underground drainage schemes during 2008-09. In this regard, the State Government had allocated ₹155 crore in its budget for the year 2008-09 and had also made provision to raise loan of ₹150 crore from different Financial Institutions under Internal Extra Budgetary Resources. The State Government approved (July 2009) proposal of the Board to avail loan of ₹74.36 crore and ₹75.64 crore from Syndicate Bank and Corporation Bank respectively and extended its guarantee for the said loan. Accordingly, the Board entered into an agreement (July and August 2009) for drawing loans from the above banks.

Meanwhile, the Reserve Bank of India (RBI) introduced (April 2010) the Base Rate System (BRS) of lending which replaced the Benchmark Prime Lending Rate (BPLR) System from 1 July 2010. The BRS was applicable for all new loans and also for old loans that came up for renewal. In addition, the borrowers of the existing loans had the option to switch over to the new system, on mutually agreed terms with the banks and the banks were not to charge any fees for the switch-over. In the case of switch-over, the interest rates were to be recalculated based on the base rate and the floating rate varied with reference to the base rate from the date of switch-over.

On scrutiny of records of the Board, we observed that the lending rate of the loans raised by the Board was based on BPLR and it had not made any assessment with regard to the option of switch-over to BRS. On comparing the interest rates charged for the above loans under BPLR system with the rates payable under the BRS from the date of implementation of BRS, Audit observed that the rates payable under BRS were less than the rates payable under BPLR system which is detailed in the **Table-4.14** below:

**Table-4.14: Comparison of interest rates under BPLR system and BRS**

(Rate of interest in percentage)

Period	Syndicate bank		Corporation bank	
	Rate of interest under BPLR	Rate of interest under BRS	Rate of interest under BPLR	Rate of interest under BRS
2010-11	9 to 10.75	9 to 10.25	9 to 10.60	9 to 10.65
2011-12	10.75 to 12	10.25 to 11	10.60 to 12	10.65 to 11.90
2012-13	12 to 11.50	11 to 11.50	12	11.90 to 11.50
2013-14	11.50	11	12	11.50
2014-15	11.50	11	12	11.50

The extra expenditure incurred by the Board by way of interest payment during 2010-15 due to non-switching over from BPLR system to BRS amounted to ₹1.98 crore<sup>97</sup>. Further, after a delay of more than four years the Board requested (December 2014) the Corporation Bank to regularise its interest rate by equating it to the base rate from the date of its introduction. On not hearing from the bank, the Board made no further efforts to get the interest rate recalculated based on BRS but continued to pay the interest rate under the earlier system.

Thus, the Board failed to effectively manage its debt servicing and by not taking action to switch over to BRS resulted in avoidable interest payment of ₹1.98 crore in respect of two loans. The Government replied (November 2015) that it was not aware of the RBI guidelines and would pursue the matter with the banks. Accordingly, the Board has corresponded with both Corporation as well as Syndicate Bank from which no positive response has been received.

#### 4.12 Excess payment of compensation

**The Bangalore Development Authority did not follow various procedures prescribed in the Bangalore Development Authority Act, 1976 for acquisition of land for developmental schemes. This resulted in utilisation of land without acquisition and also excess payment of compensation of ₹46.93 crore.**

Section 15 of the Bangalore Development Authority (Authority) Act, 1976 (BDA Act) empowers the Authority to undertake developmental schemes<sup>98</sup> with the previous approval of the Government. The procedures laid down in BDA Act to acquire land for developmental schemes are given below:

Section 17:	When a development scheme has been prepared, the Authority has to draw up a notification (preliminary notification) specifying, <i>inter alia</i> , the lands which are being proposed for acquisition.
Section 18:	The Authority shall submit the scheme to the Government for sanction.
Section 19:	Upon sanction of the scheme, the Government shall publish in the official Gazette a declaration (final notification) stating the fact of such sanction and requirement of land for public purpose.
Section 35:	Subject to the provisions of the BDA Act and with the previous approval of the Government, the Authority may enter into an agreement with the owner of any land for purchase of such land.
Section 36:	The acquisition of land under the BDA Act including payment of compensation shall be regulated by the provisions, as far as they are applicable, of the Land Acquisition Act, 1894.

On test-check of 11 payments of compensation by the Authority, we observed that BDA had utilised lands for developmental schemes, without acquisition disregarding all the above provisions of the BDA Act laid down for acquisition of land. The compensation for such non acquired lands was

<sup>97</sup> Corporation Bank – ₹1.12 crore and Syndicate Bank – ₹0.86 crore

<sup>98</sup> Development scheme include acquisition of land for execution of scheme, laying and re-laying of land, construction of buildings, formation and alteration of streets, drainage, water supply and electricity.

through allotment of developed sites free of cost. The financial implications on such lapses of the Authority are discussed in the subsequent paragraphs.

◆ **Construction of road on land not acquired**

The Authority had issued preliminary notification (PN) followed with final notification (FN) for acquiring land in various villages for formation of layouts as detailed in **Table-4.15** below:

**Table-4.15: Details in respect of notifications issued**

(Extent of land in acres – guntas)

Sl. No.	Name of the Layout	Extent of land notified in		Name of the Village	Sy. No. excluded in both PN/FN	Extent of land utilised for road <sup>99</sup>
		PN	FN			
1	Sir M Vishveswaraiah	75-08	39-29	Kengeri	212	02-30
2	Layout	708-00	552-15	Ullalu	169/1	00-06.32
3	Sir M Vishveswaraiah	324-26	240-37	Gidada	27	00-22
4	Layout – Further extension			Konenahalli	23	00-06.50
5		330-02	178-39	Mallathahalli	83	00-33
					Resurvey no. 83/1A	
6	Gnanabharathi Layout	354-31	320-16	Nagadevenahalli	53	00-11.98

The Authority though had not acquired the said lands, but had utilised these lands to the extent indicated thereagainst for formation of roads. All the land owners had represented to the Authority for compensation in the form of developed land and the Authority in its various Board meetings had resolved to allot developed sites to the extent of 50 per cent of the land acquired free of cost in the same layout or subsequent layouts to be formed as compensation. The sites were allotted based on the choice of the land owners and in one case, the sites were allotted in layouts formed by the Authority much earlier.

Subsequent to the Authority allotting (April 2010) 50 per cent of land utilised as compensation in respect of Sl.No.1 indicated in the table above, the land owner filed writ petition before the Honourable High Court with a plea that he may be compensated to the extent of 100 per cent of the land utilised. The Honourable High Court disposed the petition (July 2012) with the directions that the value of the alternative land proposed to be allotted as compensation should be equivalent to the value of the land lost. Complying with the High Court's directions, the Authority allotted balance land to the land owner during June 2014.

Total compensation of ₹32.99 crore was paid by the Authority to all landowners by way of allotment of alternative sites as detailed in **Appendix-4.19**.

◆ **Construction of road on land deleted from final notification**

The Authority had issued PN and FN for acquiring land in various villages for formation of layouts as detailed in **Table-4.16** below:

<sup>99</sup> 1 acre = 40 guntas=43,560 sq ft or 4,047 sq mtr

**Table-4.16: Details in respect of notifications issued**

(Extent of land in acres – guntas)

Sl. No.	Name of the Layout	Name of the Village	Survey No. included	Extent of land notified in		Extent of land utilised for road
				PN	FN	
1	Sir M Vishveswaraiah Layout	Ramasandra	29/1	10-30	09-00	0-12.40
2	Sir M Vishveswaraiah Layout, II Stage	Manganahalli	35	04-18	04-08	0-20.00
3	Sir M Vishveswaraiah	Sonenahalli	14	05-24	03-24	0-05.50
4	Layout	Kengeri	209	09-36	05-10	0-08.25

The Authority while issuing FN had notified land less than that was notified in the PN. The Authority, however, had utilised unauthorisedly part of the land left out while issuing FN for formation of roads. The utilisation was confirmed by the Executive Engineers of the respective divisions.

The Authority though had not acquired the said lands but had utilised land to the extent indicated thereagainst for formation of roads. All the land owners represented to the Authority for compensation in the form of developed land and the Authority in its various Board meetings had resolved to allot developed site to the extent of 50 *per cent* of the land acquired free of cost in the same layout or subsequent layout as compensation. The sites were allotted based on the choice of the land owners. Total compensation of ₹5.96 crore was paid by the Authority to the land owners by way of allotment of sites as detailed in **Appendix-4.20**.

◆ **Construction of road on land notified and subsequently denotified**

The Authority issued (January 1994) FN for formation of Gnanabharathi Layout which included 320 acres and 16 guntas of land in Nagadevanahalli, Bengaluru. Based on the representation of the land owner, the Government denotified (January 2001) part of land acquired in Nagadevanahalli which included 2 acre 30 guntas in survey No. 10/5 of Nagadevanahalli. This denotification was based on the report of the Land Acquisition Officer (November 2000) which indicated that the possession of land was not yet taken and hence could be denotified.

Meanwhile, the Authority utilised (2001-02) unauthorisedly land measuring 18 guntas in survey No. 10/5 of Nagadevanahalli towards construction of outer ring road. The said land formed part of the land denotified earlier. The land owner represented to the Authority (August 2007) for compensation. Based on the joint inspection report of the Additional Land Acquisition Officer and Executive Engineer, West Division who confirmed utilisation of 18 guntas of land for formation of road, the Board resolved (January 2012) to allot 50 *per cent* of land utilised free of cost to the land owner. Further, the Authority based on the land owner's choice of land (November 2012), allotted (April 2013) 1,028.61 sq mtrs of land in the same layout.

The payment of compensation by the Authority was ₹2.45 crore<sup>100</sup>.

<sup>100</sup> Cost to the Authority if 18 guntas were acquired: ₹1.47 lakh @ ₹3.26 lakh/acre  
 Cost of compensation for 9 guntas of land : ₹245.02 lakh @ 2,500 / sq. ft.  
 Loss to the Authority : ₹243.55 lakh

◆ **Erroneous survey leading to formation of layout on land not acquired**

The Authority issued (November 2002) PN for formation of 'Further extension of Banashankari VI Stage' which included 367 acres of land in Gubbalala village. This included 3 acres 30 guntas of land in survey number 39 which belonged to three land owners<sup>101</sup>. The Authority, however, while issuing (September 2003) FN, notified 2 acre 20 guntas of land in survey numbers 39/1 and 39/3.

The Surveyor while preparing (December 2003) the award sketch had depicted survey number 39/3 as area not notified and survey number 39/2 as notified in the FN which was contradictory to the actual FN issued. The said sketch was submitted to both Land Acquisition Officer as well as Engineering Division for determining the award and taking possession of land for formation of layout respectively. Based on the said survey report, the Authority formed sites and also constructed road unauthorisedly on land (survey number 39/2) not acquired.

Meanwhile, the landowner of Survey number 39/2 filed a writ petition challenging the acquisition proceedings. Though the said writ petition was disposed of, it allowed the petitioner to move the court for appropriate relief for the land utilised by the Authority. The land owner represented (August 2006) to the Authority for allotting him an alternative land measuring 1 acre 10 guntas. The Authority resolved (November 2011) to allot 50 per cent of the land utilised for construction of road and formation of layout. Since, the Authority is yet to allot 50 per cent of land utilised, it has a liability of payment of compensation of ₹5.99 crore<sup>102</sup>.

In this regard, audit observed the following:

- ✓ Section 15 of the BDA Act empowers the Authority to frame developmental schemes and with the previous permission of the Government to execute the scheme. While section 16 enumerates the particulars to be provided in such scheme, section 17 allows the authority to draw up a notification furnishing the particulars of the scheme and allowing 30 days for submitting any objections from the public. On completion of 30 days and after considering the objections, if any, the scheme is submitted to Government for sanction, with modifications, if any, together with plan, estimates and other particulars. Upon sanction, under section 19, FN is published declaring that the lands are required for public purpose. These are the formalities which are to be completed by the Authority before proceeding to execute the scheme. From the above, it is evident that the Authority would be in the possession of scheme plan prior to its execution, in which case, the Authority had complete details of land required and extent to which required for execution of the scheme.

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<sup>101</sup> Survey number 39/1, 39/2 and 39/3 each measuring 1 acre and 10 guntas.

<sup>102</sup> Land utilised = 1 acre 10 guntas or 54,450 sq ft

Payment of compensation on acquisition @ ₹8.80 lakh/acre = ₹16.01 lakh including solatium and interest

Payment of compensation (50 per cent) through allotment of land @ ₹2,200/sq ft = ₹598.95 lakh

Excess payment = ₹5.83 crore

The action of the Authority not to initiate acquisition proceedings or exclusion of entire survey number of land at the time of FN was in violation of provisions of BDA Act in connection with land acquisition.

- ✓ Section 35 and 36 of the BDA Act govern payment of compensation by the Authority on acquiring land for a developmental scheme. Hence, the Authority resorting to allotment of 50 *per cent* of developed land in lieu of land acquired was irregular.
- ✓ There was lack of co-ordination among the land acquisition section, town planning section and engineering section of the Authority. Hence, land acquisition by the Authority was not as per the plan sanctioned by the Government. Also, from the above cases, it was apparent that the engineering section had commenced work prior to handing over of land acquired by the land acquisition section which resulted in utilisation of land without acquisition.
- ✓ The Authority did not have any mechanism to verify the final plan with the land acquired before execution. Hence, the sketch of the surveyor was taken as final in a case which resulted in utilisation of land excluded from acquisition.
- ✓ Further, in all the cases brought out in the above paragraphs, based on the Honourable High Court's order (July 2012), many of the land owners filed writ petition asking for 100 *per cent* compensation for the land utilised. In all the cases, the Court while disposing the case has ordered to follow the procedures laid down in the earlier judgement<sup>103</sup> (July 2012). Hence, the Authority, in addition to the excess payment of compensation of ₹46.93 crore, has a liability of allotting balance land in all the above cases. This liability of the Authority in the test-checked cases works out to ₹16.42 crore (**Appendix-4.21**).

Thus, by not following the procedures laid down for acquisition of land for its developmental schemes in its BDA Act, by the Authority resulted in excess payment of compensation of ₹46.93 crore.

The matter was referred to Government in June 2015; reply was awaited (November 2015).

#### **4.13 Undue benefit to an agency**

**Ambiguity between various clauses on price adjustment in the bid document of a project floated by the Karnataka Urban Water Supply and Drainage Board (Board) resulted in the Board not operating the clause. This led to extending undue benefit of ₹6.17 crore to the agency.**

Government of Karnataka in their guidelines<sup>104</sup> (November 2004) for regulating price adjustment on account of changes in cost mandated inclusion

<sup>103</sup> That the value of the alternative land proposed to be allotted as compensation should be equivalent to the value of the land lost.

<sup>104</sup> The State Government *vide* its Order No. FD 59 PRO.CELL 2004, Bangalore dated 26<sup>th</sup> November 2004 prescribed that price adjustment clause was mandatory for all work contracts whose estimated cost put to tender was ₹100.00 lakh or more and the period of completion being 12 months or more.

of price adjustment clause in respect of work contracts where the estimated cost put to tender was ₹ one crore or above and the period of completion was 12 months or more.

The Karnataka Urban Water Supply and Drainage Board (Board) invited (December 2007) tenders for the Combined Water Supply Scheme to Kolar city, Bangarpet and Malur towns and 45 enroute villages (project) under the Centrally sponsored scheme 'Urban Infrastructure Development Scheme for Small and Medium Towns'. The work was awarded (January 2009) to an agency at a cost of ₹88.89 crore with a stipulated period of 18 months including monsoon. As of March 2015, the Board had paid the agency ₹65.46 crore for the work done and work was in progress. On scrutiny of the records including the bid document, we noticed the following:

- ◆ The project which was scheduled to be completed by August 2010, was still in progress. The reasons for non-completion of the project was mainly on account of delay in handing over of sites by the Board/ local bodies and delay in grant of permission by the Railway Department. The Report of the Comptroller and Auditor General of India, No.2-Civil for the year ended 31 March 2010 (paragraph 3.4.6) included observation on the huge investment on the project without a dependable water source. We observed from the proceedings of the meeting (December 2014) regarding progress of the project, that some components of the project remained incomplete due to non-availability of water in Yargol dam.
- ◆ The bid document which formed part of the agreement entered into (January 2009) by the Board with the agency contained clauses on price adjustment as detailed in **Table-4.17** below:

**Table-4.17: Ambiguity in the bid document**

<b>Chapter 1: Instructions to Bidders</b>	
Clause 15.5	The clause stated that the rates and prices quoted by the bidder shall be fixed for the duration of the Contract and shall not be subject to adjustment on any account unless otherwise provided for in the Special Conditions of Contract. However, the price variation in the cost of structural steel is admissible as per clause 15.1 of Chapter 3.
<b>Chapter 2: General conditions of Contract</b>	
Clause 70	Though Price variation clause not included, price adjustment clause for works contract included under clause 70.1.
<b>Chapter 3: Special conditions of Contract</b>	
Clause 15	Though price variation was deleted under clause 15, clause 15.1 stated 'Price variation as per clause 70 of chapter 2 was applicable. The rates and prices quoted by the Bidder shall be fixed for the entire duration of the Contract. The bidder shall be responsible to include adequate provisions in his lump-sum prices to cover any contingencies in the rise or fall of costs during the Contract period'. It further stated that the price adjustment as per clause 70.1 of Chapter 2 was applicable.
Clause 28	Price adjustment calculated in accordance with clause 70.1 to 70.7 of Chapter 2 is not applicable for payment for works under this contract. It further stated that the bidder had to make adequate provisions to cover any contingencies in the rise or fall of costs during the contract period.

The said ambiguity in the bid document was discussed (November 2008) in the pre-bid meeting, wherein the Board clarified to the bidders that the price adjustment clause was applicable for the said contract.

Since the decisions and clarifications of the pre-bid meeting formed part of the bid document, the Board was required to operate the price adjustment clause. However, we observed that though there was a decline in price of steel during the contract period, the Board failed to operate the price adjustment clause and did not recover ₹6.17 crore from the agency for the work executed between January 2009 and March 2010. The Board justified (October 2010) non-operation of the price adjustment clause on the ground that the main clause on price variation was deleted and the price adjustment provision described in the sub-clause was no longer relevant.

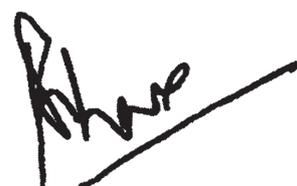
The action of the Board was not justifiable as the Government order on price adjustment formed part of the bid document and the bidders had been clarified on the applicability of the price adjustment clause in its pre-bid meeting. Thus, the ambiguity between the clauses in the bid document resulted in non-operation of the price adjustment clause and extension of undue benefit of ₹6.17 crore to the agency. The Government replied (November 2015) that the price adjustment clause was applicable and the recovery for ₹6.17 crore as worked out by audit was correct, and further necessary action would be taken.

**Bengaluru**  
**The**



**(L. Angam Chand Singh)**  
**Principal Accountant General**  
**General and Social Sector Audit**  
**Karnataka**

**Countersigned**



**New Delhi**  
**The**

**(Shashi Kant Sharma)**  
**Comptroller and Auditor General of India**



# Appendices



**Appendix-1.1**  
**(Reference: Paragraph-1.7.1, Page-9)**  
**Year-wise breakup of Inspection Reports and**  
**Paragraphs outstanding in respect of Revenue Department**  
**(up to 31 March 2015)**

Year	Technical Education Department		Higher (Collegiate Education Department)		Total	
	Number of IRs	Number of paras	Number of IRs	Number of paras	Number of IRs	Number of paras
Upto 2005-06	11	40	106	370	117	410
2006-07	10	19	19	48	29	67
2007-08	01	03	19	67	20	70
2008-09	05	09	14	38	19	47
2009-10	13	46	31	93	44	139
2010-11	02	06	09	22	11	28
2011-12	09	46	13	70	22	116
2012-13	05	24	19	182	24	206
2013-14	15	105	30	314	45	419
2014-15	41	281	22	211	63	492
<b>Total</b>	112	579	282	1,415	394	1,994

**Appendix-1.2**

**(Reference: Paragraph-1.7.3, Page-10)**

**Details of Departmental Notes pending as of 30 November 2015 (Excluding General and Statistical Paragraphs)**

Sl. No.	Department	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	Total
1	Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01	-	01
2	Education	-	-	-	-	-	-	-	-	-	-	-	-	-	03	-	-	-	01	04	08
3	e-governance																		01	-	01
4	Finance	-	-	-	-	-	01	-	-	-	-	-	-	-	-	-	-	-	-	-	01
5	Horticulture																				01
6	Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01	-	01+01 KHB	02	05
7	Information, Tourism, Kannada & Culture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01	-	-	01	02
8	Labour	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01	01		02
9	Revenue	-	-	01	-	-	-	-	-	-	-	-	-	-	01	-	-	04	04	01	11
10	Social Welfare	-	-	01	01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	02
11	Urban Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	09	09	18
12	Youth Services and Sports	-	-	-	-	01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01
13	Agriculture, Forest, Home & Transport	-	01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01
14	Department of Minority Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01	01
15	Health and Family Welfare Department ( Medical Education)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		01	01
16	Department of Revenue and UDD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01	01
<b>Total</b>		-	<b>01</b>	<b>02</b>	<b>01</b>	<b>01</b>	<b>01</b>	-	-	-	-	-	-	-	<b>04</b>	-	<b>02</b>	<b>05</b>	<b>19</b>	<b>21</b>	<b>57</b>

**Appendix-1.3**  
**(Reference: Paragraph-1.7.4, Page-10)**

**Paragraphs (excluding General and Statistical) yet to be discussed by PAC as of 30 November 2015**

Sl. No	Department	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	Total
1.	Agriculture	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	1	-	04
2.	Animal Husbandry and Veterinary Services	-	-	-	-	-	3	1	1	2	-	-	-	1	-	-	-	-	1	-	1	-	-	10
3.	Education	2	1	4	5	1	-	1	2	2	1	1	1	-	2	2	1	3	2	-	-	1	4	36
4.	e-governance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	01
5.	Finance	-	-	-	-	-	-	-	-	1	-	-	-	-	1	-	1	-	-	-	-	-	-	03
6.	Health and Family Welfare	3	-	1	4	4	1	2	2	1	-	-	-	-	-	-	-	1	-	-	1 #	-	-	20
7.	Home	-	2	2	-	2	-	-	2	-	2	-	-	-	-	-	-	-	-	2	-	2	3	17
8.	Horticulture	-	-	-	-	1	1	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	1	04
9.	Housing	-	-	-	2	-	-	-	-	-	-	-	-	1	1	1	-	-	-	1	-	3 ^	2	11
10.	Information, Tourism, Kannada and Culture	-	-	-	-	-	-	3	1	-	-	-	-	1	-	-	-	-	-	1	-	-	1	07
11.	Labour	-	-	-	-	-	-	-	-	-	1	-	1	-	-	1	-	1	-	-	1	1	-	06
12.	Legislature Secretariat	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01
13.	Revenue	-	-	-	1	1	1	-	1	-	-	-	-	1	1	-	-	1	-	-	4	4	1	16
14.	Social Welfare	-	-	-	2	-	3	3	1	1	-	-	-	-	-	1	-	-	-	-	-	-	-	11
15.	Urban Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	1	4	06+1*	9	10	32
16.	Women & Child Development	-	-	-	-	1	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	02
17.	Youth Services and Sports	-	-	-	-	-	2	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	04
18.	Agriculture, Forest, Home & Transport	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01
19.	H&FW, PWD, & RDPR	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	01
20.	Forest, Ecology & Environment, Urban Development and H&FW	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	01
21.	Department of Minority Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01	01
22.	Department of Medical Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	02	01	03
<b>Total</b>		<b>5</b>	<b>3</b>	<b>7</b>	<b>14</b>	<b>13</b>	<b>11</b>	<b>10</b>	<b>13</b>	<b>7</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>8</b>	<b>14</b>	<b>24</b>	<b>24</b>	<b>192</b>

\* Stand alone report on “Denotification and allotment of land by Bangalore Development Authority” is partially discussed by PAC

^ includes Stand alone report – Performance Audit of Acquisition and Development of land allotment of sites /houses/flats by Karnataka Housing Board for the year ended 31 March 2013.

# Para 2.1 of Report No 2 of the year 2013- “Procurement and Distribution of drugs and chemicals” is under discussion by PAC.

**Appendix-2.1**  
**(Reference: Paragraph-2.1.6, Page-16)**  
**List of hospitals selected for test-check**

<b>District Hospitals</b>	
1.	Chitradurga
2.	Dakshina Kannada (Wenlock Hospital, Mangaluru) Dakshina Kannada (Lady Goschen Hospital, Mangaluru)
3.	Kalaburagi
4.	Karwar
5.	Kodagu
6.	Vijayapura
<b>Teaching Hospitals</b>	
7.	Belgaum Institute of Medical Sciences (BIMS)
8.	Bidar Institute of Medical Sciences (BRIMS)
9.	Karnataka Institute of Medical Sciences (KIMS)
10.	KR Hospital, Mysuru Cheluvamba Hospital, Mysuru
11.	Shivamogga Institute of Medical Sciences (SIMS)
12.	Victoria Hospital, Bengaluru
<b>General/Taluk Hospitals</b>	
13.	Aland
14.	Anekal
15.	Bailahongal
16.	Chincholi
17.	Gokak
18.	Hiriyur
19.	Humnabad
20.	K.R.Nagar
21.	Nanjanagudu
22.	Puttur
23.	Shikaripura
24.	Sirsi
25.	Virajpet*
26.	Sir CV Raman General Hospital, Indiranagar, Bengaluru *
27.	KC General Hospital, Bengaluru (Pilot Study) *
<b>Super Speciality Hospitals</b>	
28.	Institute of Nephro-Urology (INU), Bengaluru
29.	Pradhan Mantri Swastha Suraksha Yojana Super Speciality Hospital (PMSSY SSH), Bengaluru

Note (1)\* Three General Hospitals have been included under the category of Taluk Hospitals for all other purposes except in health services. Since these general hospitals render services as district level hospitals, while analysing for services, these three hospitals have been included under District Hospitals.

Note (2) KR Hospital and Cheluvamba Hospital in Mysuru and Lady Goschen Hospital and Wenlock Hospital in Mangaluru are to be treated as single hospital in each district. For the purpose of adequacy with respect to infrastructure, however, the hospitals are considered as separate hospitals.

**Appendix-2.2**  
**(Reference: Paragraph-2.1.9.1, Page-21)**  
**Availability of Specialisation in Taluk and District Hospitals**

Name of the Specialisation	No. of Hospitals where post not sanctioned		No. of hospitals where post sanctioned but no men in position		Total no. of hospitals where specialisation not available		Percentage of hospitals where specialisation not available
	TH	DH	TH	DH	TH	DH	
General Medicine	4	0	85	3	89	3	55
General Surgery	8	0	49	1	57	1	35
Obstetrics & Gynaecology	0	0	33	2	33	2	21
Anaesthesia	4	0	41	2	45	2	28
Paediatrics	3	0	62	3	65	3	41
Ophthalmology	6	0	73	5	79	5	51
ENT	11	2	65	2	76	4	48
Orthopaedics	4	0	49	2	53	2	33
Dermatology	54	5	61	5	115	10	75
Dental	4	0	22	1	26	1	16

**Appendix-2.3**  
**(Reference: Paragraph-2.1.9.2(e), Page-27)**  
**Percentage of expired blood**

<b>Name of the Hospital</b>	<b>Total units of discarded blood</b>	<b>Number of units of expired blood</b>	<b>Percentage of expired blood (Range of expired blood during the period 2010-11 to 2014-15)</b>
District Hospital, Karwar	192	158	82 (76-88)
District Hospital, Madikeri	239	157	66 (46-76)
KC General Hospital, Bengaluru	750	460	61 (14-85)
Karnataka Institute of Medical Sciences, Hubballi	3,043	1306	43 (15-56)
Victoria Hospital, Bengaluru	3,293	1141	35 (15-65)
Belagavi Institute of Medical Sciences	723	206	28 (22-39)
Shivamogga Institute of Medical Sciences	1,041	237	23 (1-39)
District Hospital, Kalaburagi	431	83	19 (14-25)
Pandit General Hospital, Sirsi	177	25	14 (3-27)
Wenlock Hospital, Mangaluru	679	79	12 (1-30)
Bidar Institute of Medical Sciences	1,354	140	10 (4-22)

## Appendix-2.4

(Reference: Paragraph-2.1.11.1, Page-38)

**Statement showing the details of number of beds in the burns wards, exclusive manpower available and number of patients admitted, discharged and died during the period 2010-15**

Name of the Hospital	No. of beds in burns ward	Details of exclusive/dedicated staff for burns ward	Total number of patients admitted during the period 2010-11 to 2014-15	Number of patients discharged after treatment	No. of death cases	Remarks, if any	Percentage of death cases
District Hospital, Kalaburagi	16	01 Staff Nurse	1,663	1,102	561		34
District Hospital, Vijayapura	12	02 Doctors, 03 Staff Nurse, 03 Group D	597	373	224		38
District Hospital, Tumakuru	10	NIL	1,271	736	183		14
District Hospital, Bagalakote	7	03 Staff Nurse, 02 Group D	260	163	98		38
Wenlock Hospital, Mangaluru	7	03 Staff Nurse	655	369	286		44
District Hospital, Dharwad	8	01 Plastic/General Surgeon, 03 Staff Nurse	298	219	11		4
District Hospital, Davanagere	12	No exclusive staff	1,620	899	721		45
District Hospital, Karwar	5	01 SN, 01 Group D	45	27	1		2
District Hospital, Chamarajanagar	10	02 Plastic/General Surgeon, 03 Staff Nurse	188	188	0		0
SIMS, Shivamogga	10	Plastic Surgeon	1,140	864	276		24
HIMS, Hassan			Information not furnished				
BRIMS, Bidar			Information not furnished				
Victoria Hospital, Bengaluru	50	No exclusive staff.	8889	4,797	4,092		46
KIMS, Hubballi		No exclusive staff.	1257	714	543	No separate burns ward	43
District Hospital, Chitradurga	6		161	136	25	Separate burns ward not sanctioned	16
KR Hospital, Mysuru	32	Plastic Surgeon-2 Staff nurse-9 Technician-1 Group 'D'-3	3,384	2,080	1,252	ICU present but no ventilator, No central oxygen, No physiotherapy facility	37

**Appendix-2.5**  
**(Reference: Paragraph-2.1.11.3, Page-41)**  
**Details of staff sanctioned in Trauma care centre**

Sl. No.	Name of the hospital	TCC level	Sanctioned strength GOI	Sanctioned strength GOK	Doctors		Nursing Staff		Paramedics		Working strength		Total Working strength
					Regular	Outsourced	Regular	Outsourced	Regular	Outsourced	Regular	Outsourced	
1.	District Hospital, Chikkaballapur	III	75	16	1	2	0	6	0	0	1	8	9
2.	General Hospital, Sira	III	75	16	1	0	2	3	0	7	3	10	13
3.	District Hospital, Tumakuru	III	75	16	1	0	0	0	0	0	1	0	1
4.	Chigateri District Hospital, Davanagere	III	75	0	0	0	0	25	0	0	0	25	25
5.	BIMS, Belagavi	III	75	0	0	0	0	0	0	0	0	0	0
6.	District Hospital, Haveri	III	75	16	2	0	0	0	1	0	3	0	3
7.	District Hospital, Chitradurga	II	84	16	2	0	5	0	1	3	8	3	11
8.	KIMS, Hubballi	II	84	0	0	17	11	45	2	24	13	86	99
<b>Total</b>			<b>618</b>	<b>80</b>	<b>7</b>	<b>19</b>	<b>18</b>	<b>79</b>	<b>4</b>	<b>34</b>	<b>29</b>	<b>132</b>	<b>161</b>

**Appendix-2.6**  
**(Reference: Paragraph-2.2.1, Page-44)**  
**Role of organisations on Engineering Education in Karnataka**

Name of the organisation	Role of the Organisation
University Grants Commission (UGC)	Promotion and co-ordination of University education and for the determination and maintenance of standards of teaching, examination and research in Universities.
All India Council for Technical Education (AICTE)	Planning and co-ordinated development of the technical education system throughout the country, Promotion of qualitative improvements and regulation and proper maintenance of norms and standards in the technical education system.
National Assessment and Accreditation Council (NAAC)	Assessment and accreditation of higher education institutions in the country through a combination of self and external quality evaluation, promotion and sustenance initiatives.
National Board of Accreditation (NBA)	Assessment and accreditation of professional programmes offered at various levels by the technical institutions on the basis of specified norms.
Karnataka State Higher Education Council (KSHEC)	Establishment of a synergic relationship among Government, Universities and regulatory bodies by promoting academic excellence and social justice by the Government in policy formulation and perspective planning, (ii) ensuring the autonomy, accountability and co-ordination among all institutions of higher education in the State, and (iii) guiding the harmonious growth of higher education in accordance with the socio-economic requirements of the State
Directorate of Technical Education	Ensuring planned development of technical education in the State consistent with the policies of the State and the Nation
State Project Facilitation Unit (SPFU)	Implementation of the Technical Education Quality Improvement Program (TEQIP). The prime focus of the project will be broadly on Improving Quality and Relevance of Engineering Education by incorporating Faculty Development and Capacity Building, Monitoring & Evaluation and Project Management, by emphasising on training as well as monitoring and evaluation techniques.
Visvesvaraya Technological University	Established as a University exclusively for promoting engineering education in the State with an objective of supplying the required manpower of appropriate kind and quality to meet the needs of society and national development plans, to advance frontiers of knowledge by research, innovation, invention and product improvement etc.
Affiliated Colleges/Autonomous Colleges/Extension Centres etc.	Delivery of curriculum to the students in various engineering branches, maintenance of teaching and learning infrastructure as per standards, promotion of faculty research etc.

**Appendix-2.7**  
**(Reference: Paragraph-2.2.5, Page-45)**  
**List of test-checked engineering colleges**

**Government colleges**

1. Government Engineering College, Ramanagara
2. Government Engineering College, Raichur

**Aided colleges**

3. PDA College of Engineering, Kalaburagi
4. BMS Evening College of Engineering, Bengaluru

**Colleges on the basis of highest admission percentage**

5. New Horizon College of Engineering, Bengaluru
6. Government Engineering College, Hassan
7. BMS Institute of Technology, Bengaluru
8. GSSS Institute of Engineering & Technology for women, Mysuru
9. MS Ramaiah Institute of Technology, Bengaluru

**Colleges on the basis of lowest admission percentage**

10. Adarsha Institute of Technology, Bengaluru
11. Achutha Institute of Technology, Bengaluru
12. Bengaluru College of Engineering & Technology, Bengaluru
13. Sri Vidya Vinayaka Institute of Technology, Bengaluru
14. East Point College of Engineering and Technology for Women  
Bengaluru

**Unaided colleges**

15. Acharya Institute of Technology
16. Akshaya Institute of Technology, Tumakuru
17. Amrutha Institute, (AIMS), Bengaluru
18. Bangalore Technical Institute, Bengaluru
19. Bapuji IET, Davangere
20. Brindavan Engineering College, Bengaluru
21. BTL Institute of Technology, Bengaluru
22. C Byregowda Institute of Technology, Bengaluru
23. Dr.ShivakumaraSwamy College of Engineering, Bengaluru
24. Dr.Thimmaiah Institute of Technology, KGF
25. GTTC Bengaluru
26. Impact College, Bengaluru
27. Islamiyah Institute of Technology, Bengaluru
28. Jain Institute of Technology, Davangere
29. JnanaVikas Institute of Technology, Bengaluru
30. JNNCE, Shivamoga
31. KNS Institute of Technology, Bengaluru
32. MS Engineering College, Bengaluru
33. MVJCE, Bengaluru
34. PNS Institute of Technology, Bengaluru
35. Shirdi Sai Engineering College, Bengaluru
36. SJC Institute of Technology, Chikkaballapura
37. Sri Channabasaveshwara Institute of Technology, Gubbi
38. YDIT Bengaluru
39. Bheemanna Khandre Institute of Technology, Bhalki
40. KCT Gulbarga
41. Proudadevaraya Institute of Technology, Hospet
42. Rao Bahadur Engineering College, Ballari
43. Cambridge Institute, Bengaluru

## Appendix-2.8

(Reference: Paragraph-2.2.6.1(c), Page-48)

## Statement of division-wise analysis for CET intake and admission data

Name of the division	Name of the District	CET Engineering intake capacity	CET Exam 2014 applied	Total No. of Rank Holders in Engg	Total candidates who selected Engg seats
Belagavi	Belagavi	2,159	6,866	4,523	2,095
	Karwar	777	2,339	1,912	1,010
	Bagalakot	780	4,133	2,836	1,450
	Vijayapura	556	3,574	2,159	1,020
	Dharwad	1,287	6,714	4,964	2,543
	Haveri	552	1,378	919	453
Kalaburagi	Gadag	556	1,662	927	410
	Kalaburagi	1,505	5,532	4,224	2,203
	Bidar	1,018	4,744	3,066	1,585
	Ballari	1,282	4,826	3,219	1,723
	Raichur	626	1,657	926	482
	Koppal	0	776	439	204
Mysuru	Yadagir	150	1,082	792	361
	Chikkamagalur	300	1,649	2,406	1,316
	Mangaluru	5,110	10,712	9,579	4,922
	Hassan	1,252	3,266	1,971	1,060
	Chitradurga	194	2,587	1,451	806
	Davanagere	1,329	5,763	3,986	2,314
	Mandya	1,307	3,109	1,801	1,041
	Madikeri	462	861	702	355
	Chamarajanagara	402	925	569	282
	Mysuru	2,696	7,968	5,660	3,000
Bengaluru	Shivamogga	630	4,571	3,481	1,817
	Udupi	390	3,893	3,475	1,827
	Tumakuru	1,665	5,398	3,543	1,891
	Chikkaballapura	720	3,382	1,277	642
	Ramanagara	702	1,339	868	516
	Bengaluru	24,914	36,434	27,034	14,858
Bengaluru	Kolar	488	3,356	2,296	1,394

**Appendix-2.9**  
**(Reference: Paragraph-2.2.6.3(b), Page-55)**  
**Status of NBA Accreditation of VTU Autonomous Colleges**

Sl. No.	Name of the College	Period of Autonomous Status granted by VTU	Due time to get accreditation from NBA in	Eligible No of courses for NBA Accreditation Status (Number of Courses – UG & PG and period)	NBA Tier I & Tier II Accreditation Status (Number of Courses – UG & PG and period)	NBA Tier II Accreditation Status (Number of Courses-which could not be renewed)	Autonomous Colleges could not get the NBA Accreditation till date
1	BMS College of Engineering, Bengaluru	Since 2008-09 (UG Courses)	2010-11 (UG courses)	13 UG courses	Tier I - (6 courses (UG) 2014-15, 5 courses (UG) 2014-18) Tier II - (5 courses (UG) -2014-19, 6 courses (UG) – 2014-16 4 courses (PG) -2013-16)* Some courses are common in Tier I and Tier II (Total 11 UG Courses	UG Courses-1 PG Courses-1*	---
2	NITTE Meenakshi Institute of Technology, Bengaluru	Since 2007-08 (UG Courses)	2009-10 (UG Courses)	6 UG courses	Tier I - 4 courses (UG) 2014-15 Tier II - 4 courses (UG) 2014-16 Courses are common in Tier I & Tier II	UG Courses-1 PG Courses-0	---
3	MS Ramaiah Institute of Technology, Bengaluru	Since 2007-08 (UG & PG)	2009-10 (UG & PG)	13 UG Courses 9 PG Courses	Tier II – 2 courses (UG) – 2010-15, 1 course (UG) - 2013-15, 1 course (PG) – 2013-16	UG Courses-9 PG Courses-3	---
4	NMAM Institute of Technology, Nitte	Since 2007-08 (UG & PG)	2009-10 (UG & PG)	7 UG Courses 5 PG Courses	Tier II - 4 course (UG) – 2012-15, 1 course (UG) – 2012-17	UG Courses-2 PG Courses-1	---
5	Malnad College of Engineering, Hassan	Since 2007-08 (UG Courses)	2009-10 (UG Courses)	9 UG Courses	Tier II - 1 course (PG) – 2013-16*	UG Courses-8 PG Courses-1*	---
6	Dr.Ambedkar Institute of Technology, Bengaluru	Since 2008-09 (UG Courses)	2010-11 (UG Courses)	10 UG Courses	Tier II - 1 courses (UG) –2012-17, 4 courses (UG) – 2013-15	UG Courses-5 PG Courses-0	---
7	PES Institute of Technology, Bengaluru	Since 2007-08 (UG Courses)	Since 2009-10 (UG Courses)	7 UG Courses	Nil	UG Courses-5 PG Courses-0	---
8	SDM College of Engineering & Technology, Dharwad	Since 2007-08 (UG Courses)	2009-10 (UG Courses)	7 UG Courses	Nil	UG Courses-6 PG Courses-0	---
9	Basaveshwara Engineering College, Bagalkote	Since 2007-08 (UG & PG)	2009-10 (UG & PG)	10 UG Courses 8 PG Courses	Nil	UG Courses-7 PG Courses-0	---
10	Siddaganga Institute of Technology, Tumakuru	Since 2007-08 (UG Courses) Since 2008-09 (PG Courses)	2009-10 (UG Courses) 2010-11 (PG Courses)	12 UG Courses 8 PG Courses	Nil	UG Courses-6 PG Courses-0	---
11	RV College of Engineering, Bengaluru	Since 2007-08 (UG Courses)	2009-10 (UG Courses)	12 UG Courses	Nil	UG Courses-6 PG Courses-0	---
12	PDA College of Engineering, Gulbarga	Since 2007-08 (UG & PG)	2009-10 (UG & PG)	11 UG Courses 8 PG Courses	Nil	UG Courses-8 PG Courses-0	---
13	Sri Jayachamarajendra College of Engineering, Mysuru	Since 2007-08 (UG Courses) Since 2008-09 (PG Courses)	2009-10 (UG Courses) 2010-11 (PG Courses)	12 UG Courses 13 PG Courses	Nil	UG Courses 8 PG Courses 0	---

Sl. No.	Name of the College	Period of Autonomous Status granted by VTU	Due time to get accreditation from NBA in	Eligible No of courses for NBA Accreditation Status (Number of Courses – UG & PG and period)	NBA Tier I & Tier II Accreditation Status (Number of Courses – UG & PG and period)	NBA Tier II Accreditation Status (Number of Courses-which could not be renewed)	Autonomous Colleges could not get the NBA Accreditation till date
14	National Institute of Engineering, Mysuru	Since 2007-08 (UG & PG)	2009-10 (UG & PG)	7 UG Courses 6 PG Courses	Nil		Yes
15	PES College of Engineering, Mandya	Since 2008-09 (UG & PG)	2010-11 (UG & PG)	8 UG Courses 3 PG Courses	Nil	8 UG Courses	Yes
16	KLS Gogte Institute of Technology, Belagavi	Since 2015-16 (UG & PG)	2017-18	NA as of March - 2015	NOT Applicable		
17	Dayanand Sagar College of Engineering, Bengaluru	Since 2015-16 (UG & PG)	2017-18	NA as of March - 2015			
18	New Horizon College of Engineering, Bengaluru	Since 2015-16 (UG & PG)	2017-18	NA as of March - 2015			
19	Nagarjuna College of Engineering and Technology, Bengaluru	Since 2015-16 (UG & PG)	2017-18	NA as of March - 2015			
<b>Total</b>				<b>144 UG Courses 60 PG Courses</b>	<b>28 UG Courses 1 PG Courses</b>	<b>80 UG Courses 4 PG Courses</b>	

\* These were not considered as autonomy was not granted

**Appendix-2.10**  
**(Reference: Paragraph-2.2.6.3(b), Page-55)**  
**Quality parameters of autonomous colleges**

Item	Sub Item	Number of Autonomous Colleges	No of Colleges for which Information not applicable	No of Colleges for which Information not available	Information Available/ Applicable	Colleges with Deficiency	% of colleges with deficiency
1)UG Curriculum design based on VTU guidelines? If Yes:	a) Electives in New/Emerging topics, OK?	16	0	0	16	8	50.00
	b) Frequency of revisions, OK?	16	0	0	16	9	56.25
2) PG Curriculum Guidelines based on VTU Guidelines	a) Electives in New/Emerging topics, OK?	16	7	0	9	4	44.44
	b) Design Problems /Lab work /IT applications/Project, OK?	16	7	0	9	5	55.56
3) Teaching and course delivery as per modern practices	a) Coursework beyond the prescribed syllabi, OK?	16	0	0	16	7	43.75
	b) Getting students' feedback and using it, OK?	16	0	0	16	6	37.50
4) Learner Centric initiatives taken? If yes	a) Broadband Intra/Internet/Wifi access on campus, OK?	16	0	0	16	8	50.00
5) UG Examinations by following VTU Guidelines? If Yes	a) CIE question papers quality/standard, OK?	16	0	1	15	7	46.67
	b) SEE question papers quality/standard, OK?	16	0	1	15	8	53.33
6) PG Examination by following VTU Guidelines? If Yes	a) SEE question papers quality/standard, OK?	16	7	1	8	3	37.50

## Appendix-2.11

(Reference: Paragraph-2.2.9.1, Page-67)

## Availability of teaching faculty in test-checked colleges

Name of Course	Designation of Faculty	Number of Colleges having Deficiency in %						Sampled Colleges for which data available and applicable
		0%	1% to 25%	26% to 50%	51% to 75%	76% to 99%	100%	
Computer Science	Overall Faculty	20	7	8	3	1	0	39
	Professor	15	0	6	0	0	18	39
	Associate Professor	2	2	2	3	3	27	39
	Assistant Professor	28	5	3	2	1	0	39
Civil Engineering	Overall Faculty	13	5	5	6	0	1	30
	Professor	18	0	3	0	0	9	30
	Associate Professor	2	1	3	2	3	19	30
	Assistant Professor	17	6	5	1	0	1	30
Electronics & Communication Engineering	Overall Faculty	20	9	7	3	0	0	39
	Professor	18	0	4	0	0	17	39
	Associate Professor	2	1	3	7	3	23	39
	Assistant Professor	29	5	3	2	0	0	39
Mechanical Engineering	Overall Faculty	23	7	5	2	0	0	37
	Professor	25	0	2	0	0	10	37
	Associate Professor	4	1	7	3	2	20	37
	Assistant Professor	28	5	3	1	0	0	37
Common Subjects for all courses	Physics Overall Faculty	24	3	7	2	0	4	40
	Chemistry Overall Faculty	23	5	5	3	0	4	40
	Mathematics Overall Faculty	23	7	2	6	0	2	40

## Appendix-2.12

(Reference: Paragraph-2.2.9.2, Page-68)

## Availability of laboratory facilities in test-checked colleges

Mechanical Engineering								
Name of laboratories	Required No of Equipment as per syllabi	Number of Colleges having Deficiency in %						No of Sampled Colleges
		0%	1% to 25%	26% to 50%	51% to 75%	76% to 99%	100%	
Machine Shop	6	16	1	1	0	1	4	23
Equipment Hydraulic and Hydraulic Machinery Laboratory	12	8	10	1	1	0	3	23
Others	11	3	5	10	1	1	3	23
Computer Laboratory Software	3	14	0	4	1	0	4	23
Mechanical Measurement and Metrology Lab	15	10	9	3	0	0	1	23
Foundry and Forging Lab	6	12	3	4	0	1	3	23
Energy Conversion Lab	9	8	7	3	2	1	2	23
Design Lab	6	13	6	1	0	0	3	23
<b>OVERALL</b>	<b>68</b>	<b>0</b>	<b>16</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>23</b>

Electronics and Communication Engineering								
Name of laboratories	Required No of Equipment as per syllabi	Number of Colleges having Deficiency in %						No of Sampled Colleges
		0%	1% to 25%	26% to 50%	51% to 75%	76% to 99%	100%	
Analog Electronics Laboratory	17	1	11	9	2	0	0	23
Logic Design Laboratory	7	3	7	9	4	0	0	23
HDL Laboratory	3	12	0	6	2	0	3	23
Microcontroller Laboratory	8	2	8	7	6	0	0	23
Analog Communications Laboratory	9	3	15	3	2	0	0	23
Digital Signal Processing Laboratory	7	5	8	7	3	0	0	23
Micro Processor Laboratory	5	12	4	3	1	1	2	23
Power Electronics Laboratory	22	1	12	5	2	1	2	23
VLSI Laboratory	1	12	0	0	0	0	11	23
Advanced Communication Laboratory	14	0	13	8	2	0	0	23
Others	6	5	4	5	2	3	4	23
Computer Laboratory Softwares	12	1	7	6	1	4	4	23
<b>Overall</b>	<b>111</b>	<b>0</b>	<b>8</b>	<b>12</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>23</b>

Civil Engineering								
Name of laboratories	Required No of Equipment as per syllabi	Number of Colleges having Deficiency in %						No of Sampled Colleges
		0%	1% to 25%	26% to 50%	51% to 75%	76% to 99%	100%	
Highway Testing Materials Laboratory	39	0	9	6	3	4	1	23
Geo-Technical Laboratory	31	0	8	6	3	5	1	23
Basic Materials Testing Laboratory	9	6	9	2	0	3	3	23
Surveying Laboratory	13	3	12	5	3	0	0	23
Computer Aided Design and Drawing Laboratory	5	2	2	5	3	5	6	23
Environmental Engineering Laboratory	10	7	8	2	2	2	2	23
<b>OVERALL</b>	<b>107</b>	<b>0</b>	<b>7</b>	<b>9</b>	<b>4</b>	<b>3</b>	<b>0</b>	<b>23</b>

**Appendix-2.13**  
**(Reference: Paragraph-2.2.9.3, Page-68)**  
**Availability of Library facilities in sampled Colleges**

<b>Civil Engineering</b>								
<b>Semester</b>	<b>Required No of Titles as per syllabi</b>	<b>Number of Colleges having Deficiency in %</b>						<b>No of Sampled Colleges</b>
		<b>0%</b>	<b>1% to 25%</b>	<b>26% to 50%</b>	<b>51% to 75%</b>	<b>76% to 99%</b>	<b>100%</b>	
Semester 3	55	1	0	14	11	1	0	27
Semester 4	32	1	6	14	5	1	0	27
Semester 5	56	1	4	11	7	4	0	27
Semester 6	83	1	1	5	13	6	1	27
Semester 7	115	1	1	4	9	10	2	27
Semester 8	115	1	0	3	8	13	2	27
<b>Overall</b>	<b>456</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>14</b>	<b>7</b>	<b>0</b>	<b>27</b>

<b>Computer Science Engineering</b>								
<b>Semester</b>	<b>Required No of Titles as per syllabi</b>	<b>Number of Colleges having Deficiency in %</b>						<b>No of Sampled Colleges</b>
		<b>0%</b>	<b>1% to 25%</b>	<b>26% to 50%</b>	<b>51% to 75%</b>	<b>76% to 99%</b>	<b>100%</b>	
Semester 3	23	5	10	7	4	1	0	27
Semester 4	24	4	11	8	4	0	0	27
Semester 5	23	4	12	7	3	1	0	27
Semester 6	41	4	9	5	9	0	0	27
Semester 7	61	2	7	13	4	1	0	27
Semester 8	53	2	4	5	11	5	0	27
<b>Overall</b>	<b>225</b>	<b>1</b>	<b>8</b>	<b>10</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>27</b>

**Appendix-3.1**  
**(Reference: Paragraph-3.1.5.1(c), Page-76)**  
**Illustrative cases of ambiguous disclosure in goods tender supplier selection**

<b>Tender No. &amp; Department</b>	<b>Tender Title</b>	<b>Total number of items</b>	<b>Disclosure regarding selection in the portal</b>
BMTC/2013/012 Bangalore Metropolitan Transport Corporation (BMTC)	Procurement of Electrical Items.	11	Three different bidders are shown as selected for the same items at different rates. It is not clear which items were awarded to which tenderer. Further it conveys the meaning that the quantities purchased were double or thrice the quantities tendered.
KSRTC/2013-14/A-28-13 Karnataka State Road Transport Corporation (KSRTC)	Fuel Filter Elements	19	Three Items out of the 19 items are shown to have been selected to two contractors at different rates. This leads the viewer to conclude that the department procured twice the required items floated in the tender at different rates from different tenderers. Several items are shown as awarded to bidders at zero rates.
DMA/2014-15/IND2258 Directorate of Municipal Administration	Supplying of submersible Motor Pump, GI Pipe and Cable from 2013-14 SFC Special Grant	8	Two bidders are shown as selected against all the 8 items at different rates. This leads the viewer to conclude that the department procured two times the required items floated in the tender at different rates from the two tenders.
KPTCL//2013-14/IND226 Karnataka Power Transmission Corporation Ltd. (KPTCL)	Supplying of T&P Materials to Tr (W&M)Circle, KPTCL, Belgaum on Total Turnkey Basis.	26	Different bidders are shown as selected for the same items at different rates.

**Appendix-4.1**  
**(Reference: Paragraph-4.1.2.1(a), Page-95)**  
**Status of working of equipment**

Sl. No	Name of the equipment	Number	Working	Not working (District)								Whether AMC entered Yes/No
				Belagavi	Mysuru	Tumakuru	Bengaluru	Shivamogga	Ballari	Dharwad	Ramanagara	
1	CCTV	309	304	-	01	03	-	-	-	-	-	No
2	Door Frame Metal detector	59	18	04	02	03	20	05	05	-	02	No
3	Hand Metal detector	105	45	10	05	01	24	08	10	02	-	No
4	Deep Search Metal detector	5	5	-	-	-	-	-	-	-	-	No
5	X-ray baggage scanner	6	5	-	-	-	-	-	-	-	01	No
6	Walki - Talky	274	240	-	10	10	-	04	10	-	-	No

**Appendix-4.2**  
**(Reference: Paragraph-4.1.2.1(b), Page-96)**  
**Details of the source where articles were seized**

Year	Searches by prison staff	Number of cases booked	Number of cases (source from which articles seized mentioned in the book)	Details of source from which articles seized						
				Interview	Toilet	Inside TV	Wall	Gate	Factory	Waste box
2010-11	858	798	193	71	44	11	48	14	5	0
2011-12	842	940	232	87	57	22	47	18	1	0
2012-13	739	892	185	56	63	07	32	24	1	2
2013-14	213	137	91	07	51	18	10	05	0	0
2014-15	108	26	22	0	01	0	20	01	0	0
<b>Total</b>	<b>2,760</b>	<b>2,793</b>	<b>723</b>	<b>221</b>	<b>216</b>	<b>58</b>	<b>157</b>	<b>62</b>	<b>7</b>	<b>2</b>

**Appendix-4.3**  
**(Reference: Paragraph-4.1.2.1(c), Page-97)**  
**Entry of prohibited articles into prison**

Year	Search by Prison Staff	Number of cases booked	Number of cases where articles are seized	Seizure of prohibited articles			
				Mobiles	SIMs	Chargers	Batteries
2010-11	858	798	193	940	850	375	880
2011-12	842	940	232	542	439	205	514
2012-13	739	892	185	1,280	1,104	214	1,007
2013-14	213	137	91	258	172	33	225
2014-15	108	26	22	25	13	0	24
<b>Total</b>	<b>2,760</b>	<b>2,793</b>	<b>723</b>	<b>3,045</b>	<b>2,578</b>	<b>827</b>	<b>2,650</b>

**Appendix-4.4**  
**(Reference: Paragraph-4.1.2.2(b), Page-99)**  
**Production of undertrials before Courts through VC system vis-à-vis**  
**through escort**

Name of the Prison	Total Number of prisoners to be produced to court	Escort sought	Number of prisoners produced before courts through escort	Number of prisoners produced before courts through video conferencing
Dharwad*	26,410	26,410	19,561	93
Belagavi	47,064	47,064	22,704	281
Mysuru	81,092	81,092	58,542	6,448
Ballari	38,093	38,093	18,477	984
Kolar*	18,782	18,782	16,309	03
Chikkaballapura	13,776	13,776	12,445	-
Gokak	3,741	3,741	1,869	-
Bengaluru	4,61,704	2,61,553	1,06,013	2,00,151
Shivamogga*	32,721	32,721	23,925	893
Arasikere	4,819	4,819	4,819	-
Tipaturu	1,797	1,797	1,797	-
Ramanagara	19,965	19,965	12,340	265
Tumakuru^	45,592	45,592	37,148	783
<b>Total</b>	<b>7,95,556</b>	<b>5,95,405</b>	<b>3,35,949</b>	<b>2,09,901</b>

\* VC system was under repair since 2012-13

^ VC was under repair up to 2013-14

**Appendix-4.5**  
**(Reference: Paragraph-4.2.1, Page-105)**  
**Statement showing the list of test-checked institutions**

Sl.No.	Name of the Institutions	Type of Organisation
1	Children Home for Boys, Marigowda Road, Bengaluru	Government
2	Govt. Shishu Mandir, Marigowda Road, Bengaluru	Government
3	Children Home for Boys, Mysuru	Government
4	Children Home for Girls, Mysuru	Government
5	Juvenile Home for Boys, Cantonment, Ballari	Government
6	Children Home for Mentally Retarded Children, Cantonment, Ballari	Government
7	Children Home for Girls, Ballari	Government
8	Government Certified School (Senior) Boys, Vijayapura	Government
9	Children Home for Girls, Sangoli Rayana Colony, Vijayapura	Government
10	Children Home for Boys, 100 Feet Road, Halakola, Shivamogga	Government
11	Observation Home for Boys, Madivala, Bengaluru.	Government
12	Observation Home for Boys, Mysuru.	Government
13	Observation Home for Boys, Ballari	Government
14	Observation Home for Boys, Aphjalpor Takke Road, Vijayapura	Government
15	Observation Home for Boys, 100 Feet Road, Halakola, Shivamogga	Government
16	Govt. Shishu Gruha (SAA),Ballari	Government
17	Special Home, Sumanahalli, Bengaluru.	NGO
18	Basco Yuvodaya Open Shelter, Magdi Road, Bengaluru	NGO
19	YMCA Open Shelter, KG Halli, Bengaluru	NGO
20	Bijayalaxmi Education and Social Welfare Society(Open Shelter),Vivekanagar, Vijayapura	NGO
21	Surabhi Mahila Mandali (Open Shelter),Shivamogga	NGO
22	Anatha Shishu Nivasa (Fit Institution), Bull Temple Road, Basavangudi, Bengaluru.	NGO
23	Canara Bank Relief and Welfare Society(Fit Institution), Banashankari 2nd Stage, Bengaluru	NGO
24	Bapuji Children Home(Fit Institution), Gokulam, Mysuru	NGO
25	Vijayapura Orphanages(Fit Institutions),Bagalkote Road, Vijayapura	NGO
26	Auxilum Navajeevana Society(Fit Institution) Chamrajpet, Bengaluru	NGO
27	Nirmala ShishuBhavana (SAA), Lingarajapuram, Bengaluru	NGO
28	Sri Sidheswara Vatsalya Adoption Centre, Ganesh Nagar, Vijayapura	NGO

**Appendix-4.6**  
**(Reference: Paragraph-4.2.2.2, Page-106)**  
**Statement Showing Juvenile Delinquency**

Year	Total cognizable crimes	Juvenile crimes under IPC	Percentage of Juvenile crimes total crimes	Juvenile Apprehended under IPC & Specialised and Local laws			No. of Major crimes						
				7-12	13-16	17-18	Theft	Burglary	Hurt	Murder	Attempt to murder	Robbery	Rape
2010	1,42,322	161	0.11	34	78	68	65	27	9	10	5	1	6
2011	1,37,600	281	0.2	36	105	226	43	51	14	26	8	6	18
2012	1,34,021	323	0.24	8	111	337	86	35	36	32	28	9	12
2013	1,36,689	403	0.29	12	159	359	108	53	49	22	18	37	17
2014		Information yet to be compiled by the State Crime Record Bureau											
<b>Total</b>	<b>5,50,632</b>	<b>1,168</b>		<b>90</b>	<b>453</b>	<b>990</b>	<b>302</b>	<b>166</b>	<b>108</b>	<b>90</b>	<b>59</b>	<b>53</b>	<b>53</b>

**Appendix-4.7**  
**(Reference: Paragraph-4.2.4.1, Page-109)**  
**Statement showing the release of grants to Institutions not registered**  
**under the JJ Act**

(₹in lakh)

Sl.No.	Name of the Institution	Grants Released
1	Sri Danamma Devi Women Education & Service Organisation	12.88
2	Thirumala Education And Social Welfare Society	13.54
3	Vijayapura Orphanage	12.07
4	Bidyarayana Sikshana Abhibruddhi Samsthe, Yelahanka	14.46
5	Snehabharathi Sikshana Abhibrudhi Samsthe	14.46
6	Bidyarayana Sikshana Abhibruddhi Samsthe, Krishnarajapuram	7.20
	<b>Total</b>	<b>74.61</b>

**Appendix-4.8**  
**(Reference: Paragraph-4.2.8, Page-120)**  
**List of Child Care Institutions where no Management Committee was formed**

Sl. No.	Name
1	Children Home for Boys, Bengaluru
2	Govt. Shishu Mandira, Bengaluru
3	Children Home for Boys, Mysuru
4	Observation Home for Boys, Mysuru
5	Observation Home for Boys, Ballari
6	Govt. Shishu Gruha, Ballari
7	Govt. Certified School (Senior) for Boys, Vijayapura
8	Children Home for Girls, Vijayapura
9	Observation Home for Girls, Vijayapura

**Appendix 4.9**  
(Reference: Paragraph 4.3.2, Page No.123)  
**Incumbency in the post of Commissioner and Finance Member of BDA during the period 1999-2014**

Sl.No.	Name (Sri/Smt)	From	To
	<b>Commissioner</b>		
1	Lakshmi Venkatachalam	19-06-1995	25-10-1999
2	Jayakar Jerome	25-10-1999	02-07-2004
3	A K Agarwal	05-07-2004	12-07-2004
4	M N Vidyashankar	12-07-2004	05-05-2006
5	M K Shankaralinge Gowda	05-05-2006	17-03-2008
6	Siddaiah	17-03-2008	01-07-2010
7	Bharat Lal Meena	01-07-2010	04-06-2012
8	Pradeep Singh Kharola	04-06-2012	29-08-2012
9	T. Sham Bhat	29-08-2012	till date
	<b>Finance Member</b>		
1	Sandeep Dash	12-05-1997	10-05-2005
2	M N Seshappa	12-05-2005	30-06-2008 (date of superannuation)
3	L Narasimha Murthy, CAO (Incharge)	01-07-2008	10-11-2008
4	R Maheshwarappa	10-11-2008	19-07-2011
5	L Narasimha Murthy, CAO (Incharge)	20-07-2011	07-12-2011
6	Ganganna	08-12-2011	30-06-2014 (date of superannuation)

After his tenure was over as FM in BDA, Sri Sandeep Dash was appointed as Executive Director (Finance) BMRLCL on deputation with effect from 11 May 2005.

**Bank accounts operated by the FMs**

(Reference: Paragraph 4.3.5.2, Page No.133)

Name of the FM	Current Accounts operated	Remarks
Sri. Sandeep Dash	CA No 239,1518,1549 and 1562 at Indian Overseas Bank, Kumara Park West, Bengaluru	Though these current accounts (except CA 1549) had been in operation for other purposes, they were nevertheless operated for diverting funds to Mutual Funds.
	CA No 2001 and 2108 at Canara Bank, BDA Complex, Bengaluru	
Sri. M.N.Seshappa	CA No 239, 1680 and 1787 at Indian Overseas Bank, Kumara Park West, Bengaluru	CA 1680, 1787 and 42 had been unauthorisedly opened by Sri M.N.Seshappa at the respective banks on 17.02.2006, 07.05.2008 and 08.05.2006 respectively.
	CA No 42 at Corporation Bank, Kumara Park West, Bengaluru	
Sri. B.Ganganna	CA No 239, and 1787 at Indian Overseas Bank, Kumara Park West, Bengaluru.	Sri B.Ganganna continued to operate CA 1787 which had not been closed by Sri M.N.Seshappa

(Source: Information collected from respective banks and BDA)

**Appendix-4.10(a)**  
**(Reference: Paragraph 4.3.5.1(a), Page No.128)**  
**Statement showing details of Collection Accounts of IOB and Canara Bank not disclosed in Annual Accounts of BDA**

Sl. No.	Indian Overseas Bank		Sl. No.	Indian Overseas Bank	
	Branch	Account No		Branch	Account No
1	BSK II Stage	422	48	HSR Layout	111
2	BSK II Stage	420	49	HSR Layout	555
3	BSK II Stage	465	50	Bannerghatta Road	1100
4	Cantonment	5022	51	Bannerghatta Road	1101
5	Cantonment	6839	52	Bannerghatta Road	1102
6	Malleswaram	1382	53	Bannerghatta Road	340
7	Malleswaram	11452	54	Mahalakshnipuram	10001
8	Residency Road	1899	55	Mahalakshnipuram	10002
9	Bangalore City	20088	56	Mahalakshnipuram	10003
10	Bangalore City	22221	57	Vidyaranyaapuram	100
11	Bangalore City	22220	58	Vidyaranyaapuram	101
12	Bangalore City	20087	59	Vidyaranyaapuram	102
13	Bangalore City	22223	60	Nagashettihally	10000
14	Bangalore City	20089	61	Nagashettihally	10001
15	Shanthi Nagar	4444	62	J P Nagar	2001
16	Shanthi Nagar	6666	63	J P Nagar	2002
17	Indira Nagar	4002	64	J P Nagar	2003
18	Indira Nagar	4003	65	Shanthinagar	2280
19	Indira Nagar	4001	66	Shanthinagar	2281
20	Bilekahally	444	67	Shanthinagar	2282
21	Bilekahally	445	68	Cantonment	7219
22	Koramangala	1112	69	Cantonment	7220
23	Koramangala	1113	70	Cantonment	7221
24	Koramangala	1114	71	Bommanahalli	875
25	Koramangala	2002	72	Bommanahalli	876
26	Koramangala	2003	73	Koramangala	3333
27	Koramangala	2001	74	Bangalore City	22222
28	HRBR Layout	200	75	Chikkabidarakallu	352
29	HRBR Layout	300	76	HSR Layout	222
30	HRBR Layout	400			
31	Jayanagar	5010			
32	Jayanagar	5020			
33	Kanakapura Road	5002			
34	Kanakapura Road	5001			
35	Kanakapura Road	5004			
36	Kanakapura Road	5005			
37	Koramangala	1111			
38	Koramangala	2222			
39	Malleswaram	11453			
40	Malleswaram	10001			
41	Malleswaram	10002			
42	Malleswaram	10003			
43	Yelahanka	2000			
44	Yelahanka	2001			
45	Yelahanka	2002			
46	Chikkabidarakallu	350			
47	Chikkabidarakallu	351			

Sl. No.	Canara Bank						
1.	0403201001630	52.	0448201001647	103.	0681201002821	154.	1812201000753
2.	0403201002105	53.	0471201200386	104.	0681201002822	155.	1812201000754
3.	0403201002106	54.	0471201200387	105.	0690201001143	156.	1821201000821
4.	0403201002112	55.	0471201200388	106.	0768201011856	157.	1821201000822
5.	0403201003101	56.	0472201001184	107.	0768201011857	158.	1821201000823
6.	0403201003102	57.	0473201001784	108.	0768201011858	159.	2433201000967
7.	0403201003103	58.	0473201001785	109.	0791201006790	160.	2433201000968
8.	0404201012057	59.	0473201001786	110.	0791201006791	161.	2433201000969
9.	0404201012058	60.	0479201001857	111.	0791201006792	162.	2456201001015
10.	0404201012059	61.	0479201001858	112.	0797201000853	163.	2456201001016
11.	0405201002130	62.	0479201001859	113.	0797201000854	164.	2456201001017
12.	0405201002131	63.	0487201001236	114.	0883201001463	165.	2513106006359
13.	0405201002134	64.	0487201001237	115.	0883201001464	166.	2513106006360
14.	0406101000053	65.	0487201001238	116.	0883201001465	167.	2513106006361
15.	0406101000054	66.	0502201001963	117.	0884201001589	168.	2513201001258
16.	0407201000158	67.	0502201001964	118.	0884201001590	169.	2615201000298
17.	0407201001190	68.	0502201001965	119.	0884201001591	170.	2615201000299
18.	0407201001191	69.	0507201000981	120.	0885201000293	171.	2615201000300
19.	0407201001192	70.	0507201000982	121.	0885201000856	172.	2673201003603
20.	0408201001909	71.	0507201000983	122.	0885201000857	173.	2673201003715
21.	0408201002768	72.	0513201002667	123.	0885201000858	174.	2673201003716
22.	0408201003070	73.	0513201002668	124.	0885201001915	175.	2673201003717
23.	0408201003825	74.	0513201002669	125.	0885201001916	176.	2753201050525
24.	0409201004415	75.	0515201006180	126.	0885201001917	177.	2753201050526
25.	0409201004537	76.	0515201006181	127.	0886201101955	178.	2753201050527
26.	0409201004538	77.	0515201006182	128.	1146201007252	179.	2760201000109
27.	0409201004539	78.	0516201002190	129.	1146201007862	180.	2760201000110
28.	0411201004455	79.	0516201002191	130.	1146201007863	181.	2760201000111
29.	0411201004456	80.	0516201002192	131.	1146201007864	182.	2812201000256
30.	0411201004457	81.	0522201001639	132.	1147201000958	183.	2827201001164
31.	0417201007247	82.	0522201001640	133.	1147201001284	184.	2850201000329
32.	0417201007248	83.	0522201001641	134.	1147201001428	185.	2850201000330
33.	0417201007249	84.	0523201001958	135.	1147201001429	186.	2850201000332
34.	0425201001318	85.	0523201001959	136.	1147201001430	187.	2907201000220
35.	0425201024708	86.	0523201001960	137.	1174201001034	188.	2907201000221
36.	0425201024709	87.	0531201006233	138.	1333201006400	189.	2907201000222
37.	0425201024710	88.	0531201006234	139.	1333201006401	190.	3006201000154
38.	0430201011605	89.	0531201006235	140.	1333201006402	191.	3006201000155
39.	0430201011610	90.	0538201001152	141.	1370201006575	192.	3006201000156
40.	0430201011694	91.	0538201001153	142.	1370201006576	193.	3219201000317
41.	0430201011937	92.	0538201001154	143.	1370201006577	194.	3219201000318
42.	0430201012089	93.	0539201001346	144.	1371201002041	195.	3219201000319
43.	0430201012299	94.	0539201001347	145.	1371201002042	196.	3246201000155
44.	0430201012300	95.	0539201001348	146.	1371201002043	197.	3246201000156
45.	0430201012301	96.	0546201002110	147.	1420201100247	198.	3246201000157
46.	0432201005618	97.	0546201002111	148.	1420201100248	199.	8509201005204
47.	0445201000904	98.	0546201002112	149.	1420201100249	200.	8509201005205
48.	0445201000905	99.	0593201001193	150.	1425201000700	201.	8509201005206
49.	0445201000906	100.	0593201001194	151.	1425201000701		
50.	0448201001645	101.	0593201001195	152.	1425201000702		
51.	0448201001646	102.	0681201002820	153.	1812201000752		

## Appendix-4.10(b)

(Reference: Paragraph 4.3.5.1 (a), Page No.128)

## Statement showing year-wise details of Bank Accounts not disclosed in annual accounts during 1999-2014

Year	Account Number		
	Indian Overseas Bank	Canara Bank	Corporation Bank
1999-2000	CA 1489	CA 2006	Account not opened / operated during this period
2000-2001	CA 1489	CA 958	
	CA 1504		
	CA 1518		
2001-2002	CA 1518	CA 958	
	CA 1549		
	CA 1550		
2002-2003	CA 1559	CA 958	
	CA 1560		
2003-2004	CA 1518	CA 5001	
	CA 1549	CA 5002	
	CA 1550	CA 5003	
	CA 1554	CA 5004	
	CA 1559	CA 50004	
	CA 1560	CA 50005	
	CA 1583	CA 958	
	CA 1584		
CA 1587			
2004-2005	CA 1518	CA 50004	
	CA 1559	CA 50005	
	CA 1560	CA 958	
	CA 1583	CA 5001	
	CA 1584	CA 5002	
	CA 1587	CA 5003	
		CA 5004	
	CA 5007		
2005-2006	CA 1518	CA 2001	
	CA 1549	CA 5001	
	CA 1559	CA 5002	
	CA 1560	CA 5003	
	CA 1583	CA 5004	
	CA 1584	CA 50004	
	CA 1587	CA 50005	
		CA 958	
2006-2007	Nil	CA 5001	CA 42
		CA 5002	
		CA 5003	
		CA 5004	
		CA 5014	
		CA 5015	
		CA 50004	
		CA 50005	
		CA 958	
2007-2008	CA 1559	CA 5001	CA 42
	CA 1560	CA 5002	
	CA 1583	CA 5003	
	CA 1587	CA 5004	
		CA 50004	
2008-2009	CA 1559	CA 5001	CA 42
	CA 1560	CA 5002	
	CA 1583	CA 5003	
	CA 1587	CA 5004	
	CA 1787	CA 50004	
		CA 50005	
		CA 958	

Year	Account Number		
	Indian Overseas Bank	Canara Bank	Corporation Bank
2009-2010	CA 1560 CA 1583 CA 1587 CA 1787	CA 5001 CA 5002 CA 5003 CA 5004 CA 50004 CA 50005 CA 958	No account operated during this period
2010-2011	CA 1559 CA 1560 CA 1583 CA 1587 CA 1787	CA 5001 CA 5002 CA 5003 CA 5004 CA 50004 CA 50005 CA 958	
2011-2012	CA 1559 CA 1560 CA 1583 CA 1587 CA 1787	CA 5001 CA 5002 CA 5003 CA 5004 CA 50004 CA 50005 CA 958	
2012-2013	CA 1559 CA 1560 CA 1583 CA 1587 CA 1787	CA 5001 CA 5002 CA 5003 CA 5004 CA 5069 CA 5070 CA 5071 CA 5072 CA 50004 CA 50005 CA 958	
2013-2014	CA 1559 CA 1560 CA 1583 CA 1587 CA 1787 CA1988	CA 50004 CA 50005 CA 958	

**Appendix-4.11**  
**(Reference: Paragraph 4.3.5.1(a), Page No.129)**  
**Statement showing details of investment and redemption of Term Deposit made**  
**by debiting CA 1787**

(Amount in ₹)

Date of investment	Original TDR Nos	Period	Amount	Remarks
9.7.08	500800344	12 months & 1 day	17,35,24,669	
	500800345		28,79,03,286	
	500800346		25,97,16,297	
	500800347		26,05,16,136	
	500800348		26,11,71,605	
	500800349		26,16,75,066	
Total			150,45,07,059	
The maturity proceeds of the above TDs amounting to ₹ 166,52,05,530 were invested in 188 TDs and reinvested for one year and one day from 11.7.09 as detailed below				
11.7.09	500900506 to 526	12 months & 1 day	18,90,00,000	90 lakh each (21 nos)
	500900527		30,60,355	
	500900528 to 562		31,50,00,000	90 lakh each (35 nos)
	500900563		36,56,750	
	500900564 to 594		27,90,00,000	90 lakh each (31 nos)
	500900595		84,58,863	
	500900596 to 626		27,90,00,000	90 lakh each (31 nos)
	500900627		93,33,072	
	500900628 to 659		28,80,00,000	90 lakh each (32 nos)
	500900660		10,69,625	
	500900661 to 692		28,80,00,000	90 lakh each (32 nos)
	500900693		16,26,865	
On maturity, the proceeds of the above 188 TDs together with amount invested under TDR 500900475 to 505 on 10.7.09 were merged and made into a single deposit for ₹ 208,55,36,236 as shown below				
20.7.10	501000297		208,55,36,236	
On maturity, the proceeds of ₹ 208,55,36,236 were bifurcated into seven deposits as shown below				
11.7.11	50100300		31,12,64,470	
	50100301		31,06,65,600	
	50100302		20,64,08,907	Closed pre-maturely on 21.8.10 & credited to CA 239
	50100303		30,98,74,019	
	50100304		30,89,34,499	Closed pre-maturely on 22.11.10 & credited to CA 239
	50100305		34,24,63,136	
	50100306		29,59,25,605	Closed pre-maturely on 21.8.10 & credited to CA 239
After pre-maturely closing three TDs, the remaining four TDs were renewed as follows				
18.7.11	501100959	6 months	33,24,85,486	
	501100960		33,18,45,787	
	501100961		33,10,00,239	
	501100962		36,58,11,177	
Upon maturity, the proceeds of ₹ 142,73,31,250 was reinvested under four TDs on 20.1.12 as detailed below				
20.1.12	501200026	6 months	34,86,53,325	Premature part withdrawal of ₹ 10,07,58,618/- on 9.2.12. The balance amount of ₹ 25 crore was invested in five deposits bearing TDR numbers 501200083 to 87 each for ₹ five crore for one year.
	501200027		34,79,82,519	Closed on 20.3.12 & ₹ 35,29,82,027 credited to CA 239

Date of investment	Original TDR Nos	Period	Amount	Remarks
	501200028		34,70,95,855	Closed on 18.2.12 & ₹ 34,98,42,192 credited to CA 239
	501200025		38,35,99,551	Closed on 28.4.12 & ₹ 39,12,99,119 credited to CA 239
9.2.12	501200083	Prematurely closed on 24.2.12 and credited to CA 1787		
	501200084	Prematurely closed on 24.2.12 and credited to CA 1787		
	501200085	Prematurely closed on 03.3.12 and credited to CA 1787		
	501200086	Prematurely closed on 03.3.12 and credited to CA 1787		
	501200087	Prematurely closed on 13.2.12 and credited to CA 1787		

**Appendix-4.12(a)**  
**(Reference: Paragraph 4.3.5.2(a) (i), Page 134)**  
**Outflow of funds from main CA directly to Mutual Fund**

(Amount in ₹)

Sl. No.	Main CA debited	Amount debited	Date of debit	Name of the Mutual fund invested	Date of trading
1	239	20,00,00,000	12/08/2000	HDFC	11/09/2000
2	239	5,00,00,000	01/08/2001	HDFC	01/08/2001
3	239	10,00,00,000	07/12/2001	HDFC	07/12/2001
4	239	1,50,00,000	01/06/2000	UTI	01/06/2000
5	239	10,00,00,000	10/12/2003	DEUTSCHE	10/12/2003

**Appendix-4.12(b)**  
**(Reference: Paragraph 4.3.5.2(a) (i), Page 134)**  
**Outflow of funds from main CA to Mutual Funds through unauthorised accounts**

(Amount in ₹)

Sl. No.	Main CA debited	Amount debited	Date of debit	Unauthorised account to which amount credited	Date of credit	Name of the Mututal fund invested	Value of purchase	Date of trading
1	239	3,00,00,000	14/06/2007	1680 of IOB	14/06/2007	PMF	3,00,00,000	14/06/2007
2	2001	10,00,00,000	18/05/2006	42 of Corporation Bank	18/05/2006	BSL	10,00,00,000	23/05/2006
3	2001	25,00,00,000	20/06/2006	42 of Corporation Bank	20/06/2006	BSL HSBC	10,00,00,000 14,00,00,000	26/06/2006
4	239	25,00,00,000	09/10/2007	42 of Corporation Bank	09/10/2007	L &T BSL	10,00,00,000 15,00,00,000	11/10/2007
5	239	20,00,00,000	23/11/2004	1518 of IOB	23/11/2004	PMF	20,00,00,000	14/12/2004

**Appendix-4.12(c)**  
**(Reference: Paragraph 4.3.5.2(a) (i), Page 134)**  
**Outflow of funds from main CA to Mutual funds by crediting Term Deposit proceeds to unauthorised accounts**

(Amount in ₹)

Sl. No.	Main CA debited	Amount invested	TDR No.	Date of debit	Unauthorised account to which TD proceeds were credited	Date of credit	Name of the Mutual fund invested	Value of purchase	Date of trading
1	239	20,00,00,000	90-94	05/07/2003	1518	31/03/2004	HDFC	20,00,00,000	13/04/2004
2	239	25,00,00,000	381-82 430-31	06/10/2004 30/10/2004	1518	30/11/2004	PMF	20,00,00,000	14/12/2004
3	239	70,00,00,000	383-88 455-56	08/10/2004 13/11/2004	1518	31/12/2004	PMF	30,00,00,000	05/01/2005

**Appendix-4.13(a)**  
**(Reference: Paragraph 4.3.5.2(a)(ii), Page 134)**  
**Mutual Fund redemptions credited directly to main CA**

(Amount in ₹)

Sl. No.	Main CA no	Amount credited	Date of credit	Name of the Mutual fund invested	Date of redemption
1	239	2,04,85,200	10/11/2005	HDFC	08/05/2005
2	239	9,50,00,000	11/12/2002	HDFC	09/12/2002
3	239	5,00,81,667	12/02/2001	BSL	08/02/2001

**Appendix-4.13(b)**  
**(Reference: Paragraph 4.3.5.2(a)(ii), Page 134)**

**Mutual Fund redemption amount credited to unauthorised account and subsequently transferred to main CA 239**

(Amount in ₹)

Sl. No.	Name of Mutual Fund	Redemption Amount	Date of Redemption	Unauthorised account to which redemption was credited	Amount transferred to main current account	Date of transfer
1	PMF	20,00,48,541	18/05/2004 27/08/2004 03/09/2004 14/09/2004	1518	15,09,53,425	14/09/2004
2	L&T	19,90,00,000	25/09/2007 21/06/2007 07/06/2007 23/05/2007	42	16,73,20,592	22/10/2007
3	HSBC	3,00,00,000	07/08/2012	1787	2,05,66,524	28/09/2012

## Appendix-4.13(c)

(Reference: Paragraph 4.3.5.2(a)(ii), Page 134)

## Mutual Fund redemptions credited to unauthorised accounts and again re-invested in Mutual Funds

(Amount in ₹)

Sl. No.	Name of Mutual Fund	Redemption Amount	Date of Redemption	Unauthorised account to which redemption was credited	Name of the Mutual Fund in which reinvested	Value of purchase	Date of trading
1	L&T	10,64,09,046	30/06/2008	1787	HSBC	10,00,00,000	08/08/2012
2	HSBC	9,80,14,671	24/04/2006	1680	HSBC	4,50,00,000	04/05/2006
3	BSL	24,91,16,177	18/09/2006	42	PMF	5,00,00,000	22/09/2006

## Appendix-4.13(d)

(Reference: Paragraph 4.3.5.2(a)(ii), Page 134)

## Term Deposits made out of Mutual Fund redemption credited to unauthorised account and subsequently transferred to main CA

(Amount in ₹)

Sl. No.	Name of Mutual Fund	Redemption Amount	Date of Redemption	Unauthorised account to which redemption were credited	Amount invested in Term Deposits	TDR No	Date of investment	Date of credit to main CA
1	HSBC	5,00,00,000 3,00,00,000	30/06/2008	1787	1,50,45,07,059	344-349 (part)	09/07/2008	These Term Deposits had been renewed from time to time and the proceeds were finally credited at different intervals between August 2010 and March 2015
2	BSL	5,11,23,384	30/06/2008	1787	Redemptions formed part of this investment			
3	L&T	1,17,30,663	03/07/2008	1787				
4	L&T	1,11,59,129	03/07/2008	1787				
5	L&T	2,62,58,194	03/07/2008	1787				

**Appendix-4.14**  
**(Reference: Paragraph 4.3.5.2(a)(iii), Page 135)**  
**Fake Term Deposits recorded in books of BDA at the time of transfer of funds from main account**

(Amount in ₹)

Date of transfer	Amount	Transferred from	Details of initial TD recorded	Details of further renewals and withdrawals	Credit of proceeds			
					Date	Amount	Account to which amounts were credited	Source from which amounts were transferred
17.02.2006	100000000	CA 239	TDR No.Nil	Withdrawn on 24.3.2006	25.03.2006	100443836	CA 239	CA 1680
21.02.2006	100000000	CA 239	TDR No.Nil	Withdrawn on 29.3.2006	29.03.2006	100456165	CA 239	CA 1680
05.04.2006	100000000	CA 239	TDR 92	Withdrawn on 20.05.2006	20.05.2006	100724658	CA 239	CA 1680
12.04.2006	200000000	CA 239	TDRs 93 & 94	Withdrawn on 07.06.2006	07.06.2006	201449314	CA 239	CA 1680
14.06.2007	300000000	CA 239	TDR 176	Withdrawn on 14.06.2007	14.09.2007	30448770	CA 239	CA 1680
22.10.2007	250000000	CA 239	TDR 70153	Renewed as TDRs 70228 / 279 / 348 / 628 to 660 / 301/ 960 / 27 and withdrawn on 20.3.12	20.03.2012	352982027	CA 239	CA 1787
03.11.2007	250000000	CA 239	TDR 70161	Renewed as TDRs 70229 / 271 / 347 / 596 to 627 / 303 / 961 / 28 and withdrawn on 18.2.2012	18.02.2012	349842192	CA 239	CA 1787
26.11.2007	250000000	CA 239	TDR 70177	Renewed as TDR 70242 / 302 / 346 / 564 / 304 and withdrawn on 22.11.2010	22.11.2010	310628233	CA 239	CA 1787
29.04.2003	200000000	CA 239	TDRs 176-179	Withdrawn on 16.09.2003	16.09.2003	204410959	CA 239	CA 1518
23.09.2003	250000000	CA 239	TDRs 378-79	Withdrawn on 19.12.2003	19.12.2003	252650685	CA 239	CA 1518
26.09.2003	250000000	CA 239	TDR 380	Withdrawn on 24.12.2003	24.12.2003	252773973	CA 239	CA 1518
30.10.2003	200000000	CA 239	TDRs 410-411	Withdrawn on 16.01.2004	16.01.2004	504869863	CA 239	CA 1518
30.10.2003	100000000	CA 239	TDR 409	Withdrawn on 16.01.2004	16.01.2004			
30.10.2003	200000000	CA 239	TDRs 412-13	Withdrawn on 16.01.2004	16.01.2004			
28.11.2003	250000000	CA 239	TDR 471	Withdrawn on 28.01.2004	28.01.2004	251910959	CA 239	CA 1518
28.01.2004	250000000	CA 239	TDRs 86-87	Withdrawn on 26.03.2004	26.03.2004	503606164	CA 239	CA 1518
29.01.2004	250000000	CA 239	TDR 88-89	Withdrawn on 26.03.2004	26.03.2004			
26.03.2004	400000000	CA 239	TDR 152	Withdrawn on 09.08.2004	09.08.2004	406756164	CA 239	CA 1518
30.04.2004	400000000	CA 239	TDRs 177-181	Withdrawn on 12.08.2004	12.08.2004	455159589	CA 239	CA 1518
28.05.2004	400000000	CA 239	TDR 216-217	Withdrawn on 04.09.2004	04.09.2004	404882191	CA 239	CA 1518
28.08.2004	100000000	CA 239	TDR 249-250	Withdrawn on 11.10.2004	11.10.2004	100493151	CA 239	CA 1518
29.11.2004	250000000	CA 239	TDR 471-73	Withdrawn on 04.01.2005	04.01.2005	251203767	CA 239	CA 1518
14.12.2004	250000000	CA 239	TDR 480	Withdrawn on 02.02.2005	02.02.2005	251691781	CA 239	CA 1518
12.05.2006	150000000	CA 2001	TDR 980773	Renewed as TDRs 930860 /	21.08.2010	206756692	CA 239	CA 1787

Date of transfer	Amount	Transferred from	Details of initial TD recorded	Details of further renewals and withdrawals	Credit of proceeds			
					Date	Amount	Account to which amounts were credited	Source from which amounts were transferred
				06/81 / 70032 / 70062 / 70131 / 70216 / 70215 / 237 / 344 / 506-527 / 302 and withdrawn on 21.8.2010				
18.05.2006	100000000	CA 2001	TDR 984785	Renewed as TDRs 930873 / 06/84 / 70033 / 70063 / 70135 / 70217 / 70219 / 256 / 350 / 1091-1105 / 296 / 930 / 534 / 603 and TD was not adjusted, but remained outstanding	-	-	-	-
20.06.2006	250000000	CA 2001	TDR 06/55	Renewed as TDRs 06/71 / 70014 / nil / 70068 / nil / 70229 / 70228 / 274 / 345 / 528-563 / 305 / 962 / 25 and withdrawn on 28.4.12	28.04.2012	391299119	CA 239	CA 1787
18.12.2006	100000000	CA 2001	TDR 07/71	Withdrawn on 08.1.2007	08.01.2007	100208220	CA 2001	CA 42
29.08.2003	170000000	CA 239	TDR 344-346	Withdrawn on 04.12.2003	04.12.2003	172053973	CA 239	CA 1518
27.11.2003	240000000	CA 239	TDR 470	Withdrawn on 22.01.2004	22.01.2004	241686575	CA 239	CA 1518
04.12.2003	200000000	CA 239	TDR 474-475	Withdrawn on 29.01.2004	29.01.2004	201405480	CA 239	CA 1518
05.12.2003	200000000	CA 239	TDR 476-477	Withdrawn on 05.02.2004	05.02.2004	201553425	CA 239	CA 1518
19.12.2003	250000000	CA 239	TDR 500-504	Withdrawn on 05.02.2004	05.02.2004	251510274	CA 239	CA 1518
29.12.2003	360000000	CA 239	TDR 506-509	Withdrawn on 30.04.2004	30.04.2004	365503562	CA 239	CA 1518
30.12.2003	250000000	CA 239	TDR 510-514	Withdrawn on 05.05.2004	05.05.2004	253945205	CA 239	CA 1518
05.02.2004	450000000	CA 239	TDR 95 for ₹20 crore and TDR 96 for ₹25 crore	Withdrawn on 08.04.2004	08.04.2004	453495205	CA 239	CA 1518
13.02.2004	50000000	CA 239	TDR 110	Withdrawn on 19.05.2004	19.05.2004	50591781	CA 239	CA 1518
19.03.2004	500000000	CA 239	TDR 141-142	Withdrawn on 28.05.2004	28.05.2004	504315068	CA 239	CA 1518
26.03.2004	200000000	CA 239	TDR 151	Withdrawn on 09.08.2004	09.08.2004	203378082	CA 239	CA 1518
10.04.2004	500000000	CA 239	TDR 171-175	Withdrawn on 10.08.2004	10.08.2004	507705479	CA 239	CA 1518
30.04.2004	50000000	CA 239	TDR 190	Withdrawn on 12.08.2004	12.08.2004	455159589	CA 239	CA 1518
06.05.2004	250000000	CA 239	TDR 190-192	Withdrawn on 03.09.2004	03.09.2004	253698630	CA 239	CA 1518
28.05.2004	350000000	CA 239	TDR 215	Withdrawn on 03.09.2004	03.09.2004	354228767	CA 239	CA 1518
28.05.2004	400000000	CA 239	TDR 216-217	Withdrawn on 04.09.2004	04.09.2004	404882191	CA 239	CA 1518
09.08.2004	250000000	CA 239	TDR 226-230	Withdrawn on 16.09.2004	16.09.2004	251068493	CA 239	CA 1518

Date of transfer	Amount	Transferred from	Details of initial TD recorded	Details of further renewals and withdrawals	Credit of proceeds			
					Date	Amount	Account to which amounts were credited	Source from which amounts were transferred
09.08.2004	400000000	CA 239	TDRs 311-314	Withdrawn on 29.09.2004	29.09.2004	402279452	CA 239	CA 1518
10.08.2004	500000000	CA 239	TDRs 235-239	Withdrawn on 08.10.2004	08.10.2004	503287671	CA 239	CA 1518
10.08.2004	200000000	CA 239	TDRs 231-234	Withdrawn on 01.10.2004	01.10.2004	201161644	CA 239	CA 1518
13.08.2004	150000000	CA 239	TDRs 242-244	Withdrawn on 11.10.2004	11.10.2004	150986301	CA 239	CA 1518
31.08.2004	180000000	CA 239	TDRs 253-255	Withdrawn on 12.10.2004	12.10.2004	180848219	CA 239	CA 1518
04.09.2004	200000000	CA 239	TDR 333-334	Withdrawn on 04.11.2004	04.11.2004	201358904	CA 239	CA 1518
03.09.2004	600000000	CA 239	TDRs 327 to 332	TDR 327-328 w/d on 15.10.04 / TDR 329-330 w/d on 20.10.04 / TDR 331-332 w/d on 28.10.04	15.10.2004 / 20.10.2004 / 28.10.2004	200942466 / 201052055 / 201227397	CA 239	CA 1518
23.11.2005	200000000	CA 239	TDR 469-470	Withdrawn on 03.01.2005	03.01.2005	201093151	CA 239	CA 1518
04.01.2005	250000000	CA 239	TDR 03	Withdrawn on 21.04.2005	21.04.2005	253546233	CA 239	CA 1518
05.01.2005	250000000	CA 239	TDR 04	Withdrawn on 23.04.2005	23.04.2005	253546233	CA 239	CA 1518
02.02.2005	250000000	CA 239	TDR 76	Withdrawn on 23.04.2005	23.04.2005	252667808	CA 239	CA 1518
08.02.2005	50000000	CA 239	TDR 84	Withdrawn on 21.04.2005	21.04.2005	50481507	CA 239	CA 1518
01.03.2005	50000000	CA 239	TDR 108	Withdrawn on 21.04.2005	21.04.2005	50338356	CA 239	CA 1518
23.04.2005	350000000	CA 239	TDR 191	Withdrawn on 06.05.2005	06.05.2005	350865411	CA 239	CA 1518
23.04.2005	250000000	CA 239	TDR 192	Withdrawn on 12.05.2005	12.05.2005	250618150	CA 239	CA 1518
25.04.2005	250000000	CA 239	TDR 199	Withdrawn on 12.05.2005	12.05.2005	250553082	CA 239	CA 1518
30.04.2005	800000000	CA 239	TDRs 210-217	Withdrawn on 30.06.2005	30.06.2005	806142472	CA 239	CA 1518
19.07.2004	150000000	CA 1562	TDR No. Nil	Withdrawn on 14.09.2004	14.09.2004	150953425	CA 239	CA 1518
23.11.2004	200000000	CA 1562	TDRs 469-70,	Withdrawn on 3.1.05	03.01.2005	201093151	CA 239	CA 1518

**Appendix-4.15**  
**(Reference: Paragraph 4.3.5.2(b), Page 136)**  
**Case study on the concealment of unauthorised transaction in CA 1562 disclosed in the accounts of BDA**

CA 1562 which had been opened on 30 December 2002 for making payments related to land acquisition and closed on 29 April 2006 had been disclosed in the accounts. Cheque book facility had been availed of for this account. This account had been opened by transferring ₹10,000 and ₹70 crore on 30 December 2002 from the main current account with IOB viz. CA 239.

As this account had been disclosed in the annual accounts, all the transactions reflected in the pass sheet of this account should be recorded in the accounts. Though funds from this account had been transferred to Mutual Funds and redemption payouts from Mutual Funds had also been credited to this account, these transactions had been kept out of the accounts by manipulating the monthly closing balance in this account to agree with the closing balance as per accounts as illustrated in **Table-A**.

**Table : A: Manipulation of monthly closing balance**

(Amount in ₹)

Month	Opening balance	Debits	Credits	Closing balance
January 2003	70,00,10,000.00	75,02,35,301.23	75,02,35,301.23	70,00,10,000.00
February 2003	70,00,10,000.00	50,00,04,424.26	50,00,04,424.26	70,00,10,000.00
March 2003	70,00,10,000.00	60,00,00,000.00	60,00,00,000.00	70,00,10,000.00
April 2003	70,00,10,000.00	70,00,00,000.00	70,00,00,000.00	70,00,10,000.00
May 2003	70,00,10,000.00	60,00,00,000.00	60,00,00,000.00	70,00,10,000.00
June 2003	70,00,10,000.00	70,00,00,000.00	70,00,00,000.00	70,00,10,000.00

As the totals of debits and credits matched, all the transactions in CA 1562 during the month had not been disclosed in the accounts.

Such manipulation continued till December 2004. The manipulation to match the closing balance was done either by transferring funds from CA 239 which had been falsely recorded as TDs in accounts or by transferring funds from CA 1518 to the required extent. IOB facilitated in manipulating the closing balance as illustrated in **Table-B**.

**Table- B: Manipulation of monthly closing balance**

(Amount in ₹)

Month	Opening Balance	Debit	Credit	Closing balance	Remarks
<b>January 2003</b>					
January 2003	70,00,10,000.00				Payout cheque of ₹29,97,64,698.77 was credited on 30th January . The differential amount of ₹2,35,301.23 required to maintain the closing balance at ₹70,00,10,000 was transferred from CA 385 without any authorisation. ₹2,35,301.23 was recouped to CA 385 after crediting another payout cheque
January 7 To Trf		25,00,00,000.00			
January 9 To Trf		25,00,00,000.00	25,00,00,000.00		
January 10 To Trf		25,00,00,000.00			
January 29 By Clg			20,00,00,000.00		
January 30 By CA 385			2,35,301.23		
By clearing			29,97,64,698.77		
January 31 To Trf CA 385		2,35,301.23			
By clearing			2,35,301.23	70,00,10,000.00	

Month	Opening Balance	Debit	Credit	Closing balance	Remarks
<b>February 2003</b>					
February 2003	70,00,10,000.00.00				After affording a credit of ₹30,00,04,424.26 to CA 1562, the bank transferred ₹4,424.26 back to Sundry Creditors to maintain the closing balance at ₹70,00,10,000.
February 5 To Trf		50,00,00,000.00			
February 26 By Clg			20,00,00,000.00		
February 27 By Clg			30,00,04,424.26		
February 27 To Amount transferred to Sundry Creditor account		4,424.26		70,00,10,000.00.00	
<b>March 2003</b>					
March 2003	70,00,10,000.00				Though the redemption cheque was for ₹30,06,05,808.06 the bank credited partial amount of ₹30 crore on 19 March and the balance was retained in Sundry Creditors. The balance amount was credited on 25 March along with three other instruments received on different dates. Details of these transactions are indicated in the table-C below Thus the closing balance of the account remained at the same level.
March 4 To Trf		60,00,00,000.00			
March 19 By Trf			30,00,00,000.00		
March 21 By Trf			8,85,08,925.65		
March 21 By Trf			19,14,91,074.35		
March 25 By Trf			2,00,00,000.00	70,00,10,000.00	

**Table C -Details of amounts retained in Sundry Creditors by IOB**

Details for the credit for ₹two crore	Amount (₹)	Date on which the cheque had been initially cleared
Redemption payout cheque from Birla Sun Life Mutual Fund	1,07,57,298.24	25 March 2003
Against the cheque amount of ₹9,71,41,395.09 only ₹8,85,08,925.65 was credited on 21.3.2003. The balance amount retained in Sundry Creditors was released on 25.3.2003	86,32,469.44	21 March 2003
Amount retained in Sundry Creditors as discussed now credited	6,05,808.06	19 March 2003
Amount written back to Sundry Creditors on 27 February 2003 as discussed earlier now credited	4,424.26	27 February 2003

Thus, IOB unjustifiably retained the amounts of the cheques in Sundry Creditors after they had been cleared and the amounts so retained were credited to CA 1562 as and when found necessary to match the closing balance of ₹70,00,10,000.00.

Further, this manipulation compromised transparency as it destroyed the trail of transactions. When Audit tried to trace the redemption payout cheques issued by the Fund Houses to CA 1562, it was impossible to match the cheque amount with the credit afforded in the pass sheet. Only after collecting the credit details from IOB, Audit could match the cheques with the credits.

**Appendix-4.16**  
**(Reference: Paragraph-4.4, Page-149)**

**Statement showing the excess payment made to the NGOs against the recommendations of the taluk level committees**

(Amount in ₹.)

Sl. No	Name of the NGO	Year	Releases by GOI				Amount actually paid to NGOs including Student component			Amount payable to NGOs as per Proforma submitted by Taluk level Committee				Excess payment
			Number of teachers	Amount	Student component	Total	Teacher component	Student component	Total	Number of teachers	Teacher component	Student component	Total	
1	Sri Lakshmi Narasimhaswamy Mahila Vidys Samsthe, Koratagere	2011-12	5	750192	54300	804492	750192	10400	760597	1	150038	10400	160438	600159
2	Sri Rajatadri Parivarthana Education and welfare Association, Bellary	2009-10	2	246222	16400	262622*	246222	10000	256222	0	0	0	0	256222
3	Sri Ajjeswara Seva Samithi, Ron, Gadag	2011-12	10	1635810	142000	1578500*	1457500	121000	1578500	9	1338390	121000	1459390	119110
4	Sri Viswabharati Shikshana Samsthe, Raichur	2011-12	39	6700846	686250	7387096	6700846	656650	7357496	25	4295500	656650	4952150	2405346
5	Kalikamba Vidyasamsthe, Soraba Taluk, Shivamogga	2011-12	5	1778662	69500	986568*			1802662	10	1486000	24000	1486000	316662
6	Naradamuni Seva Samsthe, Davanagere	2009-10	12	651000	16400	262222*	520800	12960	533760	2	260400	12960	273360	260400
7	Gnanasangama Rural and urban development organisation, Honnali	2011-12	19	2825490	217600	3043090	2349760	59200	2408960	6	892260	59200	951460	1457500
8	Sri Mayammadevi Rural vidyasamsthe, Davangere	2011-12	17	2934116	169000	3103116	1898543	83137	1981680	8	1380800	83137	1463937	517743
9	Karnataka rural development society, Chikkodi	2011-12	24	3569040	343276	3912316*	3569040	343276	3912316	8	1189680	343476	1532956	2379360
10	Vinayaka Sikshana Samsthe, Bijapur	2011-12	16	2379360	244900	2624260	2379360	284000	2597760	49	7286790	614000	7900790	3877245
	Vinayaka sikshanasamsthe, Bijapur	2011-12	49	9034656	630000	9664656	8850275	330000	9180275					

Sl. No	Name of the NGO	Year	Releases by GOI				Amount actually paid to NGOs including Student component			Amount payable to NGOs as per Proforma submitted by Taluk level Committee				Excess payment
			Number of teachers	Amount	Student component	Total	Teacher component	Student component	Total	Number of teachers	Teacher component	Student component	Total	
11	Nava vasantha Association for rehabilitation of disabled, Bhadravathi	2009-10	3	390600	48512	439112*	260400	24056	284456	1	130200	24056	154256	130200
12	Sri Lakshmi Narasimhaswamy, Mahila Samsthe, Koratagere	2009-10	5	631000	51000	682000*	-	-	645600	4	122500	33100	155600	490000
13	Spandana Grameena Abhivridhi Samsthe, Holehonnur, Shimoga	2011-12	9	1514580	119350	1633930	1009720	24000	1033720	4	673147	24000	697147	336573
14	Sinchana Rural and Urban development Society, Gadag, Belgaum branch	2011-12	118	17547780	1571600	19119380	13532610	21690	13554300	69	10260990	21690	10282680	3271620
15	Chetana Sikshana Samsthe, Bangalore	2011-12	26	5532000	531429	6063429*	5532000	531500	6063430	21	4468149	531500	4999649	1063781
16	Arunodaya Education Society, Bangarpet, Kolar	2009-10	3	382600	15200	397800*	382600	20800	397800	1	127533	78000	205533	197867
17	Sri Anukarane VidyaSamsthe, Sakelshapura, Hassan.	2011-12	2	301400	36550	337950*			337950	1	150043	29000	179043	158907
18	Sri Mayammadevi Rural vidyasamsthe, Davangere	2009-10	6	781200	61510	842710*	781200	13100	794300	1	130200	13100	143300	651000
<b>Total excess payment</b>														<b>18489695</b>

\* Though the Government of India had restricted the grants, the State Government released excess amount of ₹13.33 lakh to the NGOs.

**Appendix-4.17**  
**(Reference: Paragraph-4.4, Page-149)**  
**Statement showing irregular payments made to the NGOs**

Name of the NGO	Total payments made to the NGO (₹ in lakh)	Remarks
Panchajanya Seva Samasthe, Jevargi	19.32	As against the recommendation of the three men committee that no grants may be released, payments were made on a separate set of recommendation in which details such as date of inspection, the name of inspection team members etc. were not recorded
Association for Rehabilitation of Disabled, Gangavathi	8.10	The committee without actual verification of the activities of the NGO, permitted the release based only on the certificate of the principal of the school.
Vernekar Education Society, BTS Layout, Bangalore	0.69	The reimbursement was made even though the committee had not visited the schools and certified the conduct of activities by the NGO
Sangram Education Society, Bidar	5.33	
<b>Total</b>	<b>33.44</b>	

**Appendix-4.18**  
**(Reference: Paragraph-4.7, Page-154)**  
**Details of irregular salary benefits**

<b>Cadre</b>	<b>Number of persons granted higher scale</b>	<b>Period from which higher scale granted</b>	<b>Time scale of pay drawn</b>	<b>Higher time scale of pay granted</b>
Second Division Clerk	2	1975-76	90-200	130-290
	3	1979-80	300-700	400-900
	1	1989-90	810-1,310	1,190-2,200
Typist	1	1984-85	490-950	630-1,200
	8	1989-93	960-1,760	1,190-2,200
Junior Works Inspector	1	1980-81	300-700	400-900
	5	1982-84	490-950	630-1,200

**Appendix-4.19**  
**(Reference: Paragraph-4.12, Page-162)**  
**Excess payment of compensation for construction of road on land not acquired**

(Extent of land in Sq metres; Amount: ₹ in lakh)

Sl.No. in Tab-1	Extent of land utilised (in sq m)	Date of allotment	Extent of land allotted as compensation (in sq metres)	Compensation to be paid if land was acquired	Cost to the Authority in respect of compensation through allotment	Loss to the Authority	Remarks
1	11,129.25	April 2010 and July 2014	8,784.00	17.40	2,269.12	2251.72	Value of alternative land allotted is equal to value of land lost
2	639.42	June 2013	324.00	1.00	82.59	81.59	Value for excess land of 4.29 sq m allotted was paid by the allottee
3	2,225.85	April 2013	1,114.80	3.48	287.50	284.02	Value for 1.88 sq m of land was paid by allottee
4	657.63	July 2012	360	1.02	77.74	76.72	Value for excess land of 31.19 sq m allotted was paid by the allottee
5	3,338.77	June 2013	1,621.86	5.22	418.97	413.75	
6	1,212.42	June 2013	640.14	0.97	163.15	162.18	Value for excess land of 33.93 sq m allotted was paid by the allottee
	<b>Total</b>			<b>29.09</b>	<b>3,299.07</b>	<b>3,269.98</b>	

**Appendix 4.20**  
**(Reference: Paragraph-4.12, Page-163)**  
**Excess payment of compensation towards construction of road on land deleted from final notification**

(Extent of land in sq metres; ₹in lakh)

Sl. No. in Tab-2	Extent of land utilised (in sq m)	Date of allotment	Extent of land allotted as compensation (in sq metres)	Compensation to be paid if entire land utilised was acquired	Cost to the Authority in respect of compensation through allotment	Loss to the Authority	Remarks
1	627.28	March 2013	648.00	1.96	162.04	160.8	Excess allotment of land measuring 20.72 sq m was paid by the land owner.
2	1,011.75	August 2012	1,080.00	3.26	261.36	258.10	Excess allotment of land measuring 68.25 sq m was paid by the land owner.
3	556.46	November 2012	360.00	0.89	71.89	71.00	Excess allotment of land measuring 81.77 sq m was paid by the land owner.
4	834.69	April-May 2012	468	1.30	107.77	106.47	Excess allotment of land measuring 50.66 sq m was paid by the land owner.
	<b>Total</b>		<b>2,556</b>	<b>7.41</b>	<b>603.06</b>	<b>596.37</b>	

**Appendix-4.21**  
**(Reference: Paragraph-4.12, Page-165)**  
**Liability of the Authority towards payment of compensation**

(Amount in ₹; area of land in sft)

Area and Survey No.	Date of Board Resolution	Guidance Value (₹/Sft)		Ratio	Total area utilised by the Authority	Area to be allotted as per ratio	Land already allotted	Balance land to be allotted	present guidance value	Cost to the Board
		BDA	DC Converted							
Giddada Konenahalli - 27	2012	1200	1000	0.8333	23958.00	19965.00	11979.00	2508.07	2400	19166400
Mallathahalli-83	2011	1300	1000	0.7692	35937.00	27643.85	17456.93	15664.85	2400	24448598.8
Ullalu-169/1	2008	900	950	1.0556	6882.48	7264.84	3441.24	3823.60	2400	9176640
Giddada Konenahalli - 23	2008	800	800	1.0000	7078.50	7078.50	3539.25	3539.25	2400	8494200
Nagadevanahalli-53	2010	1000	800	0.8000	13050.00	10440.00	6525.00	3915.00	2500	9787500
Ramasandra-29/1	2010	800	600	0.7500	13503.60	10127.70	6751.80	3375.90	2400	8102160
Manganahalli-35	2008	700	550	0.7857	21780.00	17112.86	10890.00	6222.86	2400	14934857.1
Sonenahalli-14	2008	900	700	0.7778	5989.50	4658.50	2994.75	1663.75	2400	3993000
Kengeri-209	2008	1000	800	0.8000	8984.25	7187.40	4492.12	2695.28	2400	6468672
Nagadevanahalli-10/5	2008	1000	800	0.8000	19602.00	15681.60	9801.00	5880.60	2500	14701500
Gubbalala 39/2	2006	800	700	0.8750	54450.00	47643.75	27225.00	20418.75	2200	44921250
<b>Total</b>										<b>164194778</b>