

Chapter-IV

Compliance Audit

Department of Higher Education/ Department of Technical Education/ Department of Medical Education

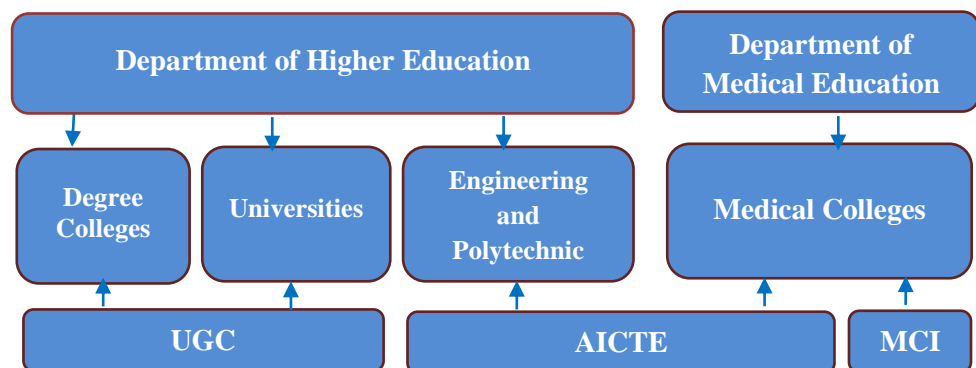
4.1 Thematic audit on appointment, promotion and pay-fixation of Teaching staff

4.1.1 Introduction

University Grants Commission (UGC) brings out Regulations from time to time with regard to minimum qualifications for appointment of teachers and other academic staff in Universities and Colleges. This is supplemented by All India Council for Technical Education (AICTE), which ensures coordinated and integrated development and management of technical education in the country. AICTE also formulated Regulations on the Pay scales, service conditions and qualifications for the teachers and other academic staff of Engineering and Polytechnic colleges. Medical Council of India (MCI) maintains uniform standards of medical education for both undergraduate and postgraduate courses through its regulations, which are referred to as 'Minimum qualification for teachers in Medical Institutions'. The pay scales of the teachers in medical colleges are, however, determined by AICTE.

The applicability of Regulations/guidelines for the educational institutions is depicted in **Chart-4.1**.

Chart-4.1: Applicability of Regulations/Guidelines



Department of Higher Education, which functions under the administrative control of the Principal Secretary is responsible for the promotion of higher education in the State through Department of Collegiate Education, Universities and the Department of Technical Education. Department of Medical Education functions under the Additional Chief Secretary to Government of Karnataka, Department of Health and Family Welfare Services

(Medical Education). For academic matters, while all the Degree colleges including Engineering colleges are affiliated to any one of the Universities, all Medical Institutions are affiliated to Rajiv Gandhi University of Health Sciences, Bengaluru.

The audit covering the period 2006-07 to 2016-17 was conducted during April to August 2017 to assess whether the norms/guidelines prescribed by UGC/AICTE/MCI for appointment as well as extension of pay scales to the teaching staff were complied with. The methodology adopted included test-check of service records of teaching staff at the Commissionerate, Department of Collegiate Education and Medical Education, Directorates of Collegiate Education and Technical Education and Universities.

Out of 951 aided and Government degree/B.Ed/Law colleges/Polytechnic/Engineering Colleges with 14,240 teaching staff, audit test-checked service records of 2,521 teaching staff of 159 colleges selected through random sampling as detailed in **Appendix-4.1**. In addition, service records of 1,628 teaching staff of nine³⁵ Universities were test-checked selected through random sampling.

Similarly, out of 16 Autonomous medical colleges and four Super Speciality teaching Hospitals, audit checked service records of teaching staff of seven autonomous medical colleges and two Super Speciality Teaching Hospitals selected through random sampling (**Appendix-4.2**).

The number of colleges test-checked is detailed in **Table-4.1** below:

Table-4.1: Details of existing and selected colleges in the State

Educational Institutions	Existing number of		Number of selected	
	Institutions	Teaching Staff	Institutions	Teaching Staff
Universities	17	1,947	09	1,628
Government and aided colleges				
Degree Colleges	731	9,584	118	1,555
B.Ed. colleges	52	351	13	90
Law colleges	20	113	05	26
Polytechnics	127	3,105	17	468
Engineering colleges	21	1,087	06	382
Medical colleges & Super Speciality Teaching Hospitals	20	NA	09	1,272
Total	988	NA	177	5,421

(Source: Compiled information)

Entry conferences were held with Principal Secretary, Higher Education and Director, Medical Education during May 2017. The audit findings were discussed with Principal Secretary (Higher Education) and Additional Chief Secretary (Medical Education) in an exit conference held on 5 December 2017 and 13 December 2017. The report takes into account the replies furnished by

³⁵ Bangalore University-Bengaluru; Karnataka University-Dharwad, Karnataka State Open University-Mysuru; Gulbarga University-Kalaburagi; Kuvempu University-Shivamogga; Mysore University-Mysuru; Mangalore University-Mangaluru; Rani Chennamma University-Belagavi; and Visweswaraiah Technological University-Belagavi.

the colleges as well as Department in response to the audit observations communicated to them.

4.1.2 Norms for recruitment of teaching staff in Higher Education including Medical Education

While norms for recruitment of teaching staff of Universities and colleges are prescribed by UGC, the norms for recruitment of teaching staff of Engineering Colleges & Polytechnics and Medical Institutions are prescribed by AICTE and MCI respectively. AICTE in consultation with MCI, prescribes norms for pay-scales of teaching staff of Medical Colleges. As per the current³⁶ Regulations prescribed by UGC/AICTE/MCI, there are only three designations in teaching staff viz., Assistant Professor, Associate Professor and Professor. While the designation, which earlier existed as Lecturer, Lecturer (Senior Scale) and 'Lecturer (Selection Grade)/Reader' with less than three years' service were designated as Assistant Professor, Lecturer (Selection Grade)/Reader with three years and more than three years' service were re-designated as Associate Professor. The post of Professor remained same even in the current Regulation. The norms for recruitment of teaching staff excluding Principals, Librarians and Physical Education Personnel are indicated in **Chart-4.2**.

Audit findings

UGC regulations issued from time to time stipulated that direct recruitment to the posts of Assistant Professor, Associate Professor and Professor in the Universities and colleges shall be on the basis of all-India advertisement and recommendations of the duly constituted selection committee. These selection committees are to be constituted in accordance with UGC/AICTE/MCI provisions and are responsible to shortlist the applicants based on minimum qualifications and minimum eligibility requirements before assessing the shortlisted applicants in manner prescribed by UGC/AICTE/MCI. Similarly, UGC/AICTE/MCI prescribed minimum requirements for in-service career advancement and fixation of pay scales.

Accordingly, audit had verified compliance to the laid down guidelines and norms regarding appointment, in-service career advancement and pay-fixation and the observations are detailed in the following paragraphs.

³⁶ UGC Regulations, 2009, AICTE Regulations, 2010 and MCI Regulation, 1998.

Chart-4.2: Norms for recruitment

	Basic Qualification			Mandatory additional requirement			Experience required		
	Asst. Professor	Associate Professor	Professor	Asst. Professor	Associate Professor	Professor	Asst. Professor	Associate Professor	Professor
University/ Degree[#]	55 per cent marks at the Master's Degree level in a relevant subject	55 per cent marks at the Master's Degree level in a relevant subject	An eminent scholar with Ph.D. qualification(s) in the concerned/allied/ relevant discipline	National Eligibility Test (NET) or State Level Eligibility Test (SLET) or Ph.D in accordance with UGC Regulations 2009 ³⁷	Performance indicator of 300	A minimum of 10 publications as books and/or research/policy papers	Nil	Eight years teaching and/or research as Assistant Professor in a University/ College/Accredited Research Institution/industry excluding the period of Ph.D. Minimum five publications as books/research papers	Ten years of teaching/research in university/college/ National level institutions/ industries, including experience of guiding candidates for research at doctoral level
Engineering^{\$}	BE/B.Tech, and ME/M.Tech in relevant branch with First Class (60 per cent) or equivalent either in BE/B.Tech, or ME /M.Tech.	BE/B.Tech, and ME/M.Tech in relevant branch with First Class (60 per cent) or equivalent either in BE/B.Tech, or ME/ M.Tech and Ph.D or equivalent, in appropriate discipline.	BE/B.Tech, and ME/M.Tech in relevant branch with First Class (60 per cent) or equivalent either in BE./B.Tech, or ME/M.Tech. and Ph.D or equivalent, in appropriate discipline				For MCA - M.C.A., with first class or equivalent with two years relevant experience	Minimum of 5 years in teaching/research/ industry	Minimum of 10 years teaching/research /industrial experience of which at least 5 years should be at the level of Associate Professor or minimum of 13 years in Teaching and/or Research and/or Industry
Medical[@]	Post Graduate from a recognised medical college in concerned discipline	Post Graduate from a recognised medical college in concerned discipline			From July 2014 two Research Publications in indexed/National journal, which are accepted by National Associations and the like	From July 2014 four Research Publications in indexed/National journal which are accepted by National Associations and the like	Three years teaching experience as Resident/ Registrar/ Demonstrator/ Tutor in a recognised medical college	Assistant Professor for five years in a recognised medical college	An Associate Professor in relevant branch for four years from a recognised medical college
Polytechnic[*]	<u>Lecturer</u> Bachelor's degree in Engineering/Technology in the relevant branch with first class or equivalent.	Head of the Department Bachelor's and Master's degree of appropriate branch in Engineering/Technology with First class or equivalent either Bachelor's or Master's level.					Lecturer - NIL -	Head of the Department Minimum of 10 years in teaching/research/industry	

G.O dated 23/9/2009. Implemented in Karnataka vide GO dated 24.12.2009 with effect from 1.1.2006 for payscales. For BEd vide GO dated 1.2.2011 with effect from 1.1.2006 for pay scales

\$ G.O. dated 5/3/2010; Implemented in Karnataka vide GO dated 1.1.2006 for pay scales

@ G.O. dated 5/12/1998. Pay scales implemented vide GO dated 1.4.2011 with effect from 1.1.2006.

* Implemented in Karnataka vide GO dated 13.3.2011 with effect from 1.4.2011

³⁷ Ph.D degree to be awarded after registration of candidates to entrance test and interview followed by allocation of supervisor by the Department and undertaking of course work for minimum period of one semester. This is followed by research work and submission of thesis, which is evaluated by two experts, one from outside the state.

4.1.3 Irregularities in appointments

4.1.3.1 Appointments without adhering to requirement of all-India advertisement and/or constitution of selection committee

The UGC regulations issued from time to time stipulated that direct recruitment to the posts of Assistant Professor, Associate Professor and Professor in the Universities and colleges shall be on the basis of all-India advertisement and recommendations of the duly constituted selection committee. However, audit observed that 67 appointments were made without complying with the norms.

- Karnataka State Open University, Mysuru, regularised (May 2013) 22 temporary lecturers and appointed them as Assistant Professors directly without following the due procedure of calling for all-India advertisement and constitution of selection committee. We also observed that 18 of these 22 temporary lecturers did not even possess the minimum required qualifications for the posts.
- Three Universities as given in **Table-4.2** upgraded 14 posts of state pay scale cadres to entry level UGC pay scale cadres, which can be filled up through direct recruitment only. However, existing staff were appointed directly to those newly created posts instead of calling for all-India advertisement and constitution of selection committee for the purpose.

Table-4.2: Upgradation of State pay scales to UGC pay scales

Sl. No.	Name of University	State cadre upgraded	No. of posts	Period	Upgraded post	Reporting date
1.	Mysore University	Research Assistant/ Field Assistant/ Antiquity Assistant	06	March 2008	Lecturer	April 2008
2.	Kannada University	Planning Assistant/ Publication Assistant	07	February 2005	Lecturer	February 2005
3.	Mangalore University	Physical Cultural Inspector	01	November 2011	Assistant Director	November 2011

(Source: Compiled information)

Further, the six teaching staff appointed as Lecturers in Mysore University were given the benefit of pay-protection even though the earlier posts were not of equivalent grade to the post of Lecturer, which was mandatory for protection of pay under UGC regulations.

- The State Government accorded (March 1993) permission for creation of two³⁸ posts in Poojya Dodappa Appa College of Engineering, Kalaburagi (PDA College) and instructed (June 2000) that the posts are to be filled up through direct recruitment. However, two persons working on unaided posts in the same college were directly appointed (November 2006) to these posts without calling for applications and/or constituting a selection committee. Thereafter, as the prescribed process was not followed, Director of Technical Education withdrew (March 2010) the approval in respect of these posts but the college continued the appointments. Further, the official appointed as Workshop Superintendent was ineligible to be appointed to the post since he did not possess Ph.D. Even though the

³⁸ Workshop Superintendent and Training & Placement Officer (TPO).

official did not acquire Ph.D., till September 2017, he was extended AICTE pay scale.

- Out of the three³⁹ options given by UGC to universities while extending assistance to fill up the posts approved during X plan period of UGC, the Mysore University and Bangalore University opted to fill up the posts through appointments made on contractual basis upto 31 March 2007 and eight and nine lecturers respectively were appointed during July 2004.

We observed that these 17 lecturers were later regularised (September 2009 and March 2010) against additional posts instead of permanent posts, subject to the condition that these additional posts were created to accommodate the lecturers and the post stood abolished on post becoming vacant for any reason. Subsequently, the pay of all these lecturers was also fixed notionally from the date of their appointment on contract basis along with extension of all pensionary benefits. This was contrary to UGC notification, 1998, which stated that *ad-hoc* service of more than one year duration could be counted provided that the candidate was selected to the permanent post in continuation to the *ad-hoc* service, without break and UGC clarification (September 2006) that no benefits⁴⁰ were to be provided to the teaching staff appointed on contract basis against the posts sanctioned by it during X Plan.

- Twelve⁴¹ lecturers in unaided posts of two degree colleges were appointed as regular lecturers and extended UGC pay scale against vacancies, which arose due to retirement/death. This was contrary to the procedure prescribed by UGC in its regulations as notifications were not issued calling for applications nor was a selection committee constituted.

4.1.3.2 Appointments of underqualified and ineligible candidates

(a) Appointment without obtaining minimum Academic Performance Indicator (API)⁴² score

UGC prescribes the minimum score of 300 points as API for direct recruitment of Associate Professor in Universities and colleges. However, during appointment (December 2012) of five Associate Professors in Karnataka State Open University, three candidates were shortlisted for

³⁹ The three options offered by the UGC to the Universities were:

- (i) Assurance from State Government for taking over the liability of these posts after X plan period;
- (ii) Assurance by the University through resolution of Executive Council to bear the burden of these posts after X plan period; and
- (iii) Appointment through contractual basis, where the posts are operational only during X plan period.

⁴⁰ Annual increments, leave encashment, leave travel concession, provident fund, all kinds of leave *etc.*

⁴¹ Sri Jagadguru Murugharajendra College of Arts, Science and Commerce, Chitradurga (11) in November 2009 and March 2010 and RIES Arts, Science and Commerce College, Ranebennur (1) in January 2013.

⁴² Academic Performance Indicator-API scores are weightage marks allotted by the Selection Committee based on the self-assessment of the teaching staff in respect of teaching related activities, domain knowledge, participation in examination and evaluation, contribution to innovative teaching, research activities, *etc.*

interviews and eventually selected despite not having the minimum score of 300 points.

(b) Candidates appointed/short listed for appointment without essential minimum qualification

- In Kuvempu University, applications were called for (June 2008) two lecturer posts in Computer Science branch and the posts were filled on the basis of interviews conducted in January 2010. However, against the minimum requirement of master degree with NET/SLET/SET or Ph.D, one candidate was selected who possessed B.Sc and M.Tech degree. The M.Tech degree possessed by the candidate was also not recognised by AICTE. The candidate had further produced a Ph.D degree certificate from Magadh University, which was subsequently (November 2014) declared as fake by the Magadh University but no action was initiated with regard to production of fake degree by the candidate.
- Even though a candidate did not possess M.Tech. and was yet to appear for examination at the time of notification (May 2007), which was the minimum qualification requirement for the post of Assistant Professor, the application of the candidate was accepted by PDA College, Kalaburagi and the candidate was subsequently appointed (June 2008) after interview to the said post. Thus, relaxation of norms for an individual renders appointment process non-transparent.

(c) Appointment without eligibility conditions of NET/SET/SLET and/or Ph.D as per norms

Apart from the requirement of academic qualification, UGC Regulations, 2009, specified qualification in NET or SLET/SET also for appointment of Assistant Professors or equivalent teaching staff in Universities/Colleges/Institutions. Further, candidates who were awarded Ph.D degree in compliance with UGC Regulation, 2009 were exempted from the requirement of the minimum eligibility condition of NET/SET/SLET.

However, Assistant Professors or other teaching staff of equivalent grade of Universities/Degree Colleges/Engineering Colleges/Polytechnic detailed in **Table-4.3** were appointed despite not having minimum eligibility of NET/SET/SLET or possessing Ph.D in accordance with UGC Regulation 2009.

Table-4.3: Candidates not possessing eligibility condition

Sl. No.	Educational Institution	Number of candidates	Post	Date of appointment
1.	Kuvempu University	01	Assistant Professor	March 2017
2.	Karnataka University	12	Assistant Professor	July 2011 – January 2014
3.	Rani Chennamma University	13	Assistant Professor	March 2012- June 2014
4.	Kannada University	01	Library Assistant	February 2008
5.	Gulbarga University	01	Assistant Director of Physical Education	December 2013

Sl. No.	Educational Institution	Number of candidates	Post	Date of appointment
6.	Karnataka Arts, Science & Commerce College, Bidar	03	Lecturer – Commerce, Physical Cultural Instructor, Librarian	2013
7.	Pompei College, Aikala, Mangaluru	01	Assistant Professor	June 2012
8.	RV Teachers College, Institute of Advanced Education, Bengaluru	01	Assistant Professor	January 2013
9.	Sarvodaya B.Ed. College, Virajpet, Kodagu	01	Assistant Professor	November 2009
	Total	34		

(Source: Compiled information)

Further, Universities could grant exemption where NET/SLET/SET qualified candidates were not available with the concurrence of the State Government. However, it was observed that no such concurrence from the State Government was obtained for such exemption. Hence the said appointments were irregular.

(d) Appointment without requisite teaching/research/working experience

UGC in their Regulations, 2009, stipulated requirement of teaching experience for the post of Associate Professor and Professor and other similar posts, which was mandatory along with research work and publications. Audit observations in this regard are discussed below:

- The Karnataka State Open University called (March/November 2012) applications for five posts of Associate Professor, which were filled during November-December 2012. However, two out of five candidates selected did not possess the required minimum eight years of teaching experience for appointment as Associate Professors. UGC Regulations, 2009, specified that only previous regular service, which was in an equivalent grade could be counted for past service and its clarification (January 2003 and June 2010) in this regard stated that experience as part-time/guest lecturer and temporary lecturers were not to be counted for teaching experience. However, the University disregarded the above stipulation and counted the period of part-time/guest lecturer and temporary lecturer for teaching experience.
- The Karnataka State Open University also called applications for one post of University Librarian and stated requirement of minimum 10 years experience in a University, in contravention to UGC norms of 13 years as Deputy Librarian in University or 18 years as College Librarian. However, the applicant who was finally appointed to the post had only five years & eight months of experience, which was even lesser than the 10 years stipulated by University. Thus, the appointment was in violation of UGC norms and was irregular.

4.1.4 Irregular promotion

In order to ensure that teachers and other equivalent cadres covered under the UGC Regulations issued from time to time have multiple opportunities for upward movement during their career, UGC created different Academic Grade Pay (AGP) in each pay band subject to fulfillment of conditions. However, for the entry level cadre *viz.*, Lecturer, Reader and Professor in UGC Regulations prior to 2009 and Assistant Professor, Associate Professor and Professor in UGC Regulations, 2009, the vacancies were to be filled up through direct recruitment only. The deviations from the guidelines issued by UGC are discussed below:

4.1.4.1 Promotion from Reader to Professor

UGC Regulations of V Pay Commission prescribed minimum five years of service as Lecturer with Ph.D. qualification for promotion to the cadre of Reader. Further, a minimum of eight years of service as Reader was required to be considered for the promotion as a Professor.

Mysore University promoted a Reader to the cadre of Professor during November 2007. From the records, we observed that though the candidate was promoted in June 1999 as Reader, he completed his Ph. D. only in May 2004, which indicated that his promotion as Reader was not as per norms prescribed by UGC and hence was irregular. In addition, though the candidate was promoted as Professor after eight years of promotion as Reader, since the candidate did not acquire Ph.D until 2004, the promotion as Professor was also irregular.

4.1.4.2 Notional promotion due to wrong application of effective date

The State Government approved (June 2009) counting of past services of the Lecturers on temporary/*ad-hoc*/contract basis. Based on the said order, the Director of Technical Education (DTE) issued (November 2009 and December 2009) revised seniority list for promotion to senior Scale/Selection Grade Lecturers under Career Advancement Scheme (CAS)⁴³. Further, as per Government Order dated 16 June 2000 which adopted AICTE pay scales, while the AICTE pay scales were effective from 1 January 1996, the other terms and conditions of service, which included promotion were applicable from 11 February 2000. However, we observed that DTE while issuing revised CAS seniority list had given effect to CAS promotion also from 1 January 1996 instead of 11 February 2000.

Hence in 25 cases, promotions were given on dates earlier than the date from which they were due as indicated in **Appendix-4.3**. This was in violation of the Government Order of June 2000.

⁴³ Career Advancement Scheme was introduced for promotion of teachers to next higher AGP subject to fulfilment of all prescribed qualifications.

4.1.4.3 Principals promoted without qualification

Five Lecturers who did not possess M.E/M.Tech, which was the requisite qualification mandatory for promotion as Principal Grade I, were promoted as Principals in five polytechnic colleges indicated in **Appendix-4.4**. Hence, all the five promotions were irregular.

4.1.4.4 Irregular promotion of Library Assistants as Assistant Librarian

Though UGC mandates that the post of Assistant Librarian can be filled only through direct recruitment and no promotional avenues to this post exists, the Mysore University statutes specified 50 *per cent* recruitment of Assistant Librarian through promotion and 50 *per cent* through direct recruitment. Out of the 12 posts of Assistant Librarian, six posts were already filled (April 1998 to June 2010) through promotions in past. Thus, remaining six posts, were to be filled up through direct recruitment. However, these six posts were also irregularly filled through promotions during December 2012.

Thereafter, UGC again clarified (May 2017) that there were no promotional avenues from Library Assistant to Assistant Librarian and the said post could be filled through direct recruitment only. However, action was not initiated by the University in respect of these 12 Library Assistants irregularly appointed as Assistant Librarian.

4.1.5 Irregularities in extension of pay scales

UGC Regulations, 2009, prescribed that the teaching staff who did not acquire the qualification prescribed by UGC *viz.*, NET/SET/SLET or Ph.D through course work were not entitled for availing the benefit of UGC revised scheme. Further, it specified that no M.Phil was to be recognised thereafter and hence, the teaching staff who possessed M.Phil were required to qualify themselves in NET/SET/SLET or acquire Ph.D. It also specified that until acquiring the required qualification, the teaching staff continued to be in the pre-revised UGC pay scale or in the State pay scale as the case may be. Similarly, AICTE also specified in its regulations issued from time to time non-extension of the revised pay scales to teaching staff who did not possess the required minimum qualifications. Audit observations in this regard are as follows:

- In violation of the stipulations for extension of UGC pay scales as per UGC Regulations, 2009, 136 test-checked degree/B.Ed/Law colleges and nine Universities extended UGC pay scales to 924 teaching staff (**Appendix-4.5**) who did not possess the requisite NET/SLET or Ph.D.
- Though UGC pay scales, 2009, allowed grant of advance increments for acquiring PhD as per UGC Regulations, 2009, Basudeva Somani Degree College, Mysuru, irregularly granted three advance increments to a lecturer, whose PhD was not as per UGC Regulations, 2009.
- Revised UGC pay scales issued (December 2009) by Government of Karnataka (GoK) stipulated effective date for pay scales from 1 January 2006 and effective date for the allowances and other benefits, as the date of issue of revised order *i.e.*, 24 December 2009. However, Bangalore

University and Kannada University, Hampi, allowed HRA also from 1 January 2006 and hence the total excess arrears paid to 414 teaching staff worked out to ₹6.25 crore.

- The Government in its corrigendum (November 2002) to the order extending (16 June 2000) AICTE pay scales to Engineering Colleges, required Assistant professors (re-designated as Associate professor since March 2010) to obtain Ph.D. degree within a period of seven years from the date of appointment. AICTE in its clarification (January 2016) also stated that in the event of non-completion of Ph.D. within stipulated period, increments were to be stopped until Ph.D. was acquired. In three Engineering colleges, 22 Assistant Professors (**Appendix-4.6**) appointed between March 2000 and April 2007 were granted increments routinely even though nine were yet to complete Ph.D. and 12 had completed Ph.D. after the stipulated period of seven years. This resulted in irregular release of increments and excess expenditure of ₹45.35 lakh and allowances.
- The State Government, while according Grant-in-aid status to the Sahyadri Polytechnic, Theerthahalli, Shivamogga (November 2006) and Jawaharlal Nehru Polytechnic, Thana Khusnur, Bidar (June 2007) approved the staffing pattern for appointment subject to the condition that grant-in-aid shall be extended only to the existing qualified teaching and non-teaching staff appointed prior to June 1992. However, we observed that 24 teaching staff appointed after 1992 detailed in **Appendix-4.7** were also extended AICTE pay scales, which was not in order.
- In six polytechnic colleges, we observed that 19 lecturers detailed in **Appendix-4.8** who did not possess or acquire BE (BE Second Class upto 31 March 1999, BE First Class from 1 April 1999 as the case may be), which was the requisite minimum qualification prescribed by AICTE for extension of the revised pay scales were extended AICTE pay scales.
- PDA College of Engineering appointed (June 2008) two Lecturers through direct recruitment and as per AICTE norms, the Lecturers were to be placed in the Pay Band of ₹15,600-39,100 with AGP of ₹6,000. However, we observed that contrary to AICTE norms, the pay of the Lecturers were fixed as ₹24,170 with AGP of ₹8,000 after considering their previous service which resulted in extending undue benefit to the direct recruited Lecturers.
- There are no provisions to grant advance increments to the Assistant Professors/Associate Professors/Professors in AICTE pay scales. However in two⁴⁴ medical institutes, advance increments were granted in 11 cases based on the approval of the Governing Council (GC) of the Institutes. We observed that as per Memorandum of Understanding of the Institutes, GC could only recommend revision/increments to the Government and did not have power to grant advance increments. This resulted in irregular release of increments and excess expenditure of

⁴⁴ Bidar Institute of Medical Sciences (8) and Belagavi Institute of Medical Sciences.

- ₹27.40 lakh + allowances. In reply, both the institutes stated that GC approved the advance increment and Director had powers to sanction advance increment. However, the reply is not acceptable as GC could only recommend the advance increment to the Government and approval of the Government was essential.
- In Belagavi Institute of Medical Science, Belagavi, based on the salary certificate issued by the private medical colleges, pay of three Professors were protected even though AICTE pay scales did not have any provisions for pay protection. This resulted in excess payment of ₹16.17 lakh and allowances.
 - The State Government issued Government Order (December 2011) fixing the pay scales of Permanent Tutors as ₹15,600-39,100+6,000 AGP. But, during October 2012, it revised the above order and fixed the pay scales as ₹15,600-39,100+2,000 AGP with retrospective effect from 1.4.2011. However, Bidar Institute of Medical Sciences adopted December 2011 order and fixed ₹6,000 as AGP for two tutors appointed in February 2014. This was contrary to the order issued in October 2012. The excess expenditure on account of wrong adoption of scale is ₹3.04 lakh and allowances. In reply (July 2017), it was stated that action would be taken.
 - The State Government while extending (December 2011) AICTE pay scales to all the teaching staff in the Medical/Dental Institutions and Autonomous Institutions under the Department of Medical Education, provided fitment table for the teaching staff as on 1 April 2011 for each pay band. Later, the Government revised (February 2013) the pay structure for the teaching staff appointed/promoted subsequent to 1 April 2011. However, in two⁴⁵ institutions, we observed that the pay of 65 Assistant Professors/Associate Professors, who were appointed subsequent to 1 April 2011 were fixed based on the December 2011 Government order instead of February 2013 Government order. Though the pay fixation of 31 teaching staff of Jayadeva Institute of Cardiology (JIC) was later revised in August 2015, the excess salary paid was yet to be recovered. The total excess salary paid to all the 65 Assistant Professors/Associate Professors was ₹21 lakh and allowances. JIC stated that action was proposed for recovery.
 - Karnataka Institute of Medical Sciences (KIMS), Hubballi extended AICTE pay scales with effect from April 2011 to 31 tutors appointed in 2005 and drawing State Scale of pay. While fixing the revised pay notionally from April 2011, KIMS, Hubballi directly referred to the fitment table, which was applicable for the teaching staff already existing in the pre-revised AICTE pay scales right from the date of appointment instead of notionally working out the pay in the pre-revised AICTE pay scales and then referring to fitment table. Hence, this wrong reference to the fitment table resulted in excess payment of ₹83.66 lakh + allowances.

⁴⁵ JIC (31) and Mysore Medical College and Research Institute (34).

- The State Government in its clarification (23 February 2013) stated that the pay of the persons entering the Medical Institutes as Assistant Professors after April 2011 should be fixed at ₹21,900 with AGP as ₹8,000. However, in the cases detailed in **Appendix-4.9**, KIMS, Hubballi fixed the pay higher than the pay stated in the clarification, which resulted in excess fixation of pay and in turn excess expenditure of ₹19.39 lakh + allowances.

4.1.6 Conclusion

UGC/AICTE/MCI regulations are applicable to Universities, Degree Colleges, Engineering/Polytechnic colleges and Medical Colleges for appointment, promotions and pay-fixation of teaching staff. The objective of prescribing minimum qualifications for teaching posts by UGC/AICTE/MCI is to maintain excellence in standards of higher education by appointing highly qualified teaching staff, which would be defeated if rules & regulations regarding appointment and promotion are not complied with effectively. During audit, we observed the following deviations in the procedures for appointment, promotion and extension of pay scales:

- Sixty-seven candidates were appointed as teaching staff of Universities/Degree Colleges/Engineering Colleges without adhering to requirement of all India advertisement and/or constitution of selection committee.
- Thirty-four teaching staff were appointed even though the candidates did not possess the mandatory essential qualifications and/or NET/SLET qualification or Ph.D.
- Five lecturers of five polytechnic colleges were promoted as Principals even though they did not possess requisite qualification as prescribed by AICTE. DTE had given notional promotions to 25 teaching staff with effect from an incorrect date, which resulted in extending promotion to the candidates during ineligible period.
- Audit observed extension of UGC/AICTE pay scales to 924 teaching staff, who did not possess qualification *i.e.*, NET/SLET or Ph.D, which was a mandatory condition prescribed by UGC in 136 test-checked Degree/B.Ed/Law colleges and nine Universities.

The State Government (Higher Education in its reply and Medical Education in the exit conference) stated (December 2017) that after examination of cases and obtaining opinion of the Finance Department final compliance report would be submitted.

Department of Health and Family Welfare

4.2 Deficiencies in quality assurance while procuring and distributing drugs

Poor quality assurance by the Karnataka State Drugs Logistics and Warehousing Society resulted in distribution of non-standard quality drugs. Besides, the Society did not recover ₹2.11 crore being the cost of these non-standard quality drugs.

The Karnataka State Drugs Logistics and Warehousing Society (Society) was established (2003) with the main objective of establishing an efficient, cost effective and decentralised Drug Logistics and Warehousing System in the State. The Society was procuring drugs, chemicals and miscellaneous items for use in various health institutions of the State. The procurement was through Rate Contracts (RCs) which were finalised from time to time through tender process. During 2014-15 to 2016-17, the Society procured 14,209 batches of 1,110 different drugs for ₹535.22 crore. On scrutiny of records, we observed the following:

(i) Shortfall in testing of drugs procured

In order to ensure quality of the drugs procured, the RCs of the Society for supply of drugs envisaged that the purchaser shall test each batch or batches selected at random from the consignment, either at the time of receiving the goods or at any time during the shelf life of the product, at any laboratory approved under the Drugs and Cosmetics Act, 1940, and Rules apart from the routine sampling that might be carried out by the Drugs Controller and Regulatory authorities. Since the drugs were to have active ingredients as per the specifications throughout the shelf life, the samples were to be drawn periodically throughout the shelf life. An amount equivalent to 0.5 per cent of the cost of drugs supplied was to be deducted from the bills at the time of payment. The Society empaneled four⁴⁶ laboratories to conduct the required number of quality tests.

The details of drugs procured and tested by the Society during 2014-15 to 2016-17 are indicated in **Table-4.4**.

Table-4.4: Details of batches of drugs procured and tested by the Society during 2014-15 to 2016-17

Sl. No.		2014-15	2015-16	2016-17	Total
1.	Batches of Drugs procured by Society	5,872	3,745	4,592	14,209
2.	Samples sent for testing	2,263	2,532	1,981	6,776
3.	Samples declared NSQ* by Society	15	4	8	27
4.	Samples declared NSQ by Drugs Controller	18	40	19	77

* Not of standard quality

⁴⁶ Standard Laboratories-Delhi; PRK Pharma Analysts-Hyderabad, Delhi Test House-Delhi, and Ozone Laboratories-Delhi.

In this regard, we observed the following:

- From the table, it was evident that out of 14,209 batches required to be tested during 2014-15 to 2016-17, only 6,776 batches of drugs (48 *per cent*) were tested. Thus, 7,433 batches of drugs were supplied to patients without testing/quality assurance.
- Out of 6,776 batches of drugs, which were tested, 27 batches of drugs worth ₹1.23 crore were declared by Society as Not of Standard Quality (NSQ).
- In addition, during 2014-15 to 2016-17, the State Drugs Controller had also declared 77 batches of drugs worth ₹4.08 crore drawn randomly from the warehouses of the Society as NSQ. This included 19 batches of drugs worth ₹0.55 crore, which were declared as Standard Quality by the empaneled laboratories of the Society. Thus, there was variance between the reports of empaneled laboratories of the Society and the State Drugs Controller.

(ii) *Inordinate delay in communication of NSQ drugs to warehouses/hospitals*

Prompt communication with hospitals and warehouses is necessary to ensure that NSQ drugs are not issued to patients. However, we noticed delay while communicating NSQ details to the warehouses/hospitals as detailed in **Table-4.5** below:

Table-4.5: Delay in communication of NSQ by the Society

Delay (in days)	Number of cases
8-15	13
16-30	17
31-45	08
46-60	05
61-100	06
More than 100	01
Total	50

(iii) *Non-replacement of drugs*

As per the conditions of contract, the entire batch of any drug declared as NSQ during testing by the Society or by the Drugs Controller or by any other authority should be replaced by the suppliers irrespective of the quantity available in stock within 30 days from the date of receipt of communication. In case of default, the Society had to forfeit the Security Deposit (SD) furnished by the supplier and in respect of other damages, the Society was to take action under the existing laws to recover such loss and to blacklist the supplier. In addition, an amount equivalent to 0.5 *per cent* of the cost of batch of drugs declared as NSQ shall be recovered from the Contractor towards the expenses for its destruction.

In this regard, we observed the following:

- Out of 104 batches of drugs declared as NSQ, the drugs in respect of 12 batches were replaced. Out of balance 92 batches, recovery of loss in

respect of 73 batches of drugs which amounts to ₹4.86 crore (including cost of destruction) is yet to be made.

- Further, action was not initiated by the Society to adjust SD furnished by the suppliers in respect of 73 batches of drugs declared as NSQ. SD amount available with Society in respect of the said drugs work out to ₹0.24 crore.
- Out of 20 companies, whose drugs were declared as NSQ, four companies were blacklisted by the Society/other States. Hence, recovery of ₹69.33 lakh⁴⁷ was doubtful since the amount to be recovered was more than SD furnished by respective companies to this extent.

(iv) Blacklisting of defaulting contractors

As per the contract, if two or more than two products of a firm failed in the quality tests, then that firm was to be black listed. Further, the contractor and his establishment blacklisted by the Society or any State/Central Government will not be eligible to participate in any of the departmental tenders for subsequent five years.

During 2014-15 to 2016-17, we observed that though two or more than two drugs were declared NSQ in respect of 16 suppliers, the Society black listed only two⁴⁸ suppliers.

Thus, due to poor quality assurance by the Society, low quality drugs were not withdrawn from distribution even after they were declared as NSQ. Besides, due to poor recovery mechanism, the Society failed to recover ₹4.86 crore being the cost of these NSQ drugs.

In reply, the Government stated (September 2017) the following:

- From 2015 onwards, the successful bidders were to provide National Accreditation Board for Testing and Calibration Laboratories (NABL) report and analytical report of their own laboratory for every batch of drugs at the time of supply of consignment.

The reply is partially acceptable. Though the system put in place had reduced the number of cases of NSQ, the ideal number should have been nil. However, it was observed that there still persisted few cases of NSQ after 2015. The Society needs to institutionalise a mechanism to address such cases.

- Due to improper storage and other related matters, drugs which were randomly drawn by the Drugs Controlling Authority failed quality tests even though they were declared as standard quality earlier by the Society.

This indicates that the storage of drugs was poor as during 2014-15 to 2016-17, 19 batches of drugs were declared NSQ by Drugs Controller when these were declared as standard quality by Society. Thus, the Government needs to improve storage facilities.

⁴⁷ M/S.SGS Pharma-₹15.40 lakh, M/S.Mino Pharma-₹23.02 lakh, M/S.Jackson Laboratories-₹30.91 lakh, M/S.Zee Laboratories-Nil.

⁴⁸ M/S.SGS Pharma and M/S.Mino Pharma Laboratories Limited.

- While ₹2.75 crore out of ₹4.86 crore was recovered from the suppliers for issuing NSQ drugs, ₹1.26 crore would be recovered from security deposit amount of the suppliers.

Action needs to be taken on priority to recover the said amount through SD.

- Details of NSQ drugs were forwarded immediately to all warehouses to stop usage of NSQ drugs.

Since, there existed delay in communicating details of NSQ drugs, as already discussed, the process needs to be streamlined.

4.3 Avoidable expenditure

Karnataka State Drugs Logistics and Warehousing Society failed to insert specific clause in the tender/contract document for availing concession on Central Excise Duty. This resulted in avoidable expenditure of ₹76.55 lakh towards purchase of ambulances.

Notification No.12/2012-Central Excise dated 17 March 2012 of the Central Excise Department, Government of India, provide that excise duty on a motor vehicle registered solely for use as an ambulance shall attract a concessional duty of 12 *per cent*. Subsequently, it revised the concessional duty to eight *per cent* vide notification No.4/2014-Central excise dated 17 February 2014. Further, condition No.26 of the Notification dated 17 March 2012 provides for refund of excess duty paid on these vehicles as prescribed in the first and second schedules, which shall be refunded to the buyer through the manufacturer. The benefit of refund was available subject to production of a certificate within six months (including three months extension, which could be provided by the competent Excise Officer) from an officer authorised by the concerned State Transport Authority, to the effect that the said motor vehicle was registered for sole use as an ambulance.

Karnataka State Drugs Logistics and Warehousing Society (Society), responsible for procurement of drugs, chemicals and medical equipment for the Institutes under the Department of Health and Family Welfare, procured 398 ambulances during 2012-13 and 2013-14 under National Rural Health Mission scheme. The details of procurement are as indicated in **Table-4.6**.

Table-4.6: Details of procurement of ambulances

Sl. No.	Date of purchase order	Name of Supplier	Number of ambulances	Amount (in ₹crore)	Mode of Purchase
1	19 March 2013	Tata Motors Limited (Tata Winger)	200	12.99	DGS&D Rate Contract
2	7 May 2014	Khivraj Motors* (Force Traveler)	198	29.70	Tender
	Total		398	42.69	

*Authorised dealer of M/s Force Motors Limited, Pune

In order to avail the benefit of exemption on Central Excise Duty (CED), a specific clause was to be inserted in the tender/contract document by the

Society and the supplier agency was required to get the exemption on CED in respect of vehicle registered as an ambulance. We, however, observed that the quoted rates by the suppliers were inclusive of CED and the Society did not insert any clause regarding exemption of CED in its tender/contract document. CED at the rate of 13.125 *per cent* and cess @ three *per cent* thereon paid by Tata Motors Limited and Khivraj Motors was ₹67,092 and ₹84,289 per ambulance respectively. Hence, the total CED paid by the Society on the above two contracts worked out to ₹3.01 crore.

The excise duty refundable on the ambulances procured as detailed above was ₹11.45 lakh and ₹65.10 lakh respectively totaling to ₹76.55 lakh⁴⁹.

Thus, failure on the part of the Society to insert specific clause on exemption of CED resulted in payment of excess CED of ₹76.55 lakh on purchase of ambulances, which was avoidable.

The Government replied (November 2017) that the society was not aware of the refund available under the notifications issued by Central Excise and hence, due to lack of knowledge, refund provision was not included in the tender. Besides, it stated that the expenditure was on account of taxes paid to Government of India and was not an infructuous expenditure. However, the fact remained that avoidable expenditure was incurred out of State exchequer.

Department of Housing

4.4 Avoidable expenditure due to non-payment of compensation

Karnataka Housing Board delayed payment of compensation for more than 21 years in respect of 1 acre 20 guntas of land acquired at Valagerahalli, Bengaluru. This resulted in payment of enhanced compensation of ₹15.26 crore under the Land Acquisition Act, 2013.

Provisions for acquisition of land and payment of compensation under Karnataka Housing Board Act, 1962 (KHB Act), Land Acquisition Act, 1894 (LA Act), and Right to fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (LA Act) are as follows:

⁴⁹ Tata Motors Limited: Basic price of Ambulance-₹4,96,292; Excise duty refundable (13.12 *per cent minus 12 per cent*) + 3 *per cent* cess = ₹5,725.22 x 200 = ₹11.45 lakh.
Khivraj Motors: Basic price of Ambulance - ₹6,23,499; Excise duty refundable (13.12 *per cent minus 8 per cent*) + 3 *per cent* cess = ₹32,881.21 x 198 = ₹65.10 lakh.
Total: ₹76.55 lakh.

KHB Act, 1962	
Section 33	The Board may enter into an agreement with any person for the acquisition from him by purchase, lease or exchange, of any land, which is needed for the purpose of a housing scheme. Also, the Board may take steps for the compulsory acquisition of any land for the execution of a housing scheme in the manner provided in the LA Act, 1894.
Land Acquisition Act, 1894	
Section 31	On making an award under Section 11, the Deputy Commissioner shall deposit the amount of the compensation in the Court if there be any dispute as to the title to receive the compensation or as to the apportionment of it.
Right to fair Compensation and Transparency in Land Acquisition Rehabilitation and Resettlement Act, 2013	
Section 24(2)	In case of land acquisition proceedings initiated under the LA Act, 1894, where an award under the said section 11 is made five years or more prior to the commencement of this Act but the physical possession of the land is not taken or the compensation is not paid the said proceedings shall be deemed to have lapsed and the appropriate Government, if it so chooses, shall initiate the proceedings of such land acquisition afresh in accordance with the provisions of this Act: Provided that where an award is made and compensation in respect of a majority of land holdings is not deposited in the account of the beneficiaries, then, all beneficiaries specified in the notification for acquisition under Section 4 of the said LA Act, 1894, shall be entitled to compensation in accordance with the provisions of this Act.

Karnataka Housing Board (Board) issued preliminary notification (June 1990) and final notification (May 1992) for acquiring 11 acres 04 guntas of land located in the Valagerahalli Village, Kengeri, Bengaluru South for execution of a housing scheme. Out of the said 11 acres 04 guntas of land, 03 acres 02 guntas of land was under dispute⁵⁰. Thus, the Special Land Acquisition Officer (SLAO) of the Board, while passing (August 1993) the award for payment of compensation of ₹3.78 lakh for the said land, directed the Board to deposit the compensation payable for 03 acres 02 guntas of land in the Court as per Section 31 of the LA Act, 1894. The said proposal was also approved (September 1993) by the Commissioner of the Board.

However, we observed that contrary to his own proposal mentioned above, SLAO while issuing (September 1993) award notice for the said 03 acres 02 guntas of land stated that compensation for 01 acre 22 guntas of land would be deposited in the Court and compensation for the remaining 01 acre 20 guntas would be made after settlement of Writ petition filed by Karnataka Minority Welfare House Building Co-operative Society. Accordingly, the Board deposited (July 1994) ₹1.89 lakh in the Court towards compensation of 1 acre 22 guntas only.

⁵⁰ In respect of 1 acre 20 guntas, Karnataka Minority Building Welfare House Building Co-operative Society, who purchased the said land after issue of preliminary notification by the Board had filed writ petition in High Court. Regarding remaining 1 acre 22 guntas, land owners failed to produce record of rights.

Subsequent to the dismissal (August 1998) of the Writ Petition by the Hon'ble High Court, the Board took possession of entire 03 acres 02 guntas of land (December 1999). As per Section 31 of the Land Acquisition Act, 1894, the compensation was to be deposited in the Court in the event of any dispute in respect of title to the land. However, the same was not done by the Board. Later, it initiated (March 2012) proposal towards construction of commercial complex in the said land and received (April 2012) Government's approval towards the same.

From the records, we observed that though the Board had taken possession of land and proposed construction of commercial complex, it did not initiate any action to release the compensation for the 01 acre 20 guntas of land. This prompted the landowners to file a Writ Petition initially in 2011, which was dismissed by the Hon'ble High Court. Thereafter, on the LA Act, 2013 coming into effect from 1 January 2014, the landowners once again approached the Hon'ble High Court to declare the acquisition process as lapsed under Section 24(2) of the LA Act, 2013. Since the Board did not take any action to release compensation under both the LA Acts, the Hon'ble High Court declared (August 2015) the acquisition process as lapsed.

Subsequently, as the said land was considered necessary by the Board, the Board approached the Hon'ble High Court and as per its directions released payment of compensation (₹15.26 crore) to the land owners between November 2015 and December 2016.

Thus, acquisition of 1 acre 20 guntas of land by the Board, without payment of compensation even after 21 years of passing of award resulted in invoking of provisions under LA Act, 2013 and Hon'ble High Court declaring the acquisition as lapsed. This led to payment of avoidable enhanced compensation of ₹15.26 crore in place of ₹1.89 lakh for repurchase of the said land.

The Government replied (April 2017) that decision was taken to identify the officials responsible for non-payment of compensation/deposit amount in civil court in time, and to initiate disciplinary action against the said officials.

Department of Labour

4.5 Suspected fraudulent payment of ₹0.20 lakh

Suspected embezzlement of ₹20,000 in Karnataka State Child Labour Eradication Society by fraudulently manipulating the invoice presented for payment.

Provisions for regulating contingent expenditure in the various departments of the State and also other offices are envisaged in the Manual of Contingent Expenditure, 1958 (Manual). The Manual lays down responsibilities of both Drawing Officer as well as Controlling Officer, records in support of contingent expenditure which are mandatorily required to be maintained in the offices. Further, Article 50

of the Karnataka Financial Code read with Rule 42(b) of the Manual stipulates for obtaining proper receipt/ acknowledgement from the payee.

As per the Bye-laws of the Karnataka State Child Labour Eradication Project Society (Society), the Managing Committee is fully responsible for its day-to-day administration of the financial and other affairs. For this, it is required to ensure proper maintenance of records as well as accounts of the Society. Secretary is overall in-charge of the administration and execution of all programmes / financial matters of the Society. Treasurer along with Member Secretary signs all the cheques of the Society.

During scrutiny (May 2017) of records of the Society for the period 2015-2017, we noticed that an amount of ₹21,944 was drawn vide cheque number 548104 dated 2 August 2016 for making payment towards travelling conveyance. The amount was drawn by an official of the Society on 5 August 2016.

Further scrutiny of the relevant records⁵¹ and the voucher showed the following:

- The voucher for the fuel expenses issued by the service station (Bill number 1338 dated nil for supply of 40 litres of diesel @ ₹48.60 per litre indicated the amount in figures as ₹21,944, whereas the amount in words was stated as 'Rupees one thousand nine hundred forty-four'. Hence, the amount in figures, for which, the payment was made was deliberately manipulated by inserting numeric two in ten thousandth place as the quantity of fuel supplied at the rate mentioned did not match with the amount passed for payment. Thus due to manipulation, there was excess drawal of ₹20,000.
- While the ledger of travelling conveyance showed the amount passed as Travelling Allowance bill of an official, the cheque issued register indicated the payment as petrol allowance – October 2015.

Failure in following procedures laid down for regulating contingent expenditure *viz.*, checks for preparation of bills by Drawing Officer, scrutiny of bills by Controlling Officer, non-maintenance of Contingent Register and non-obtaining of acknowledgement from the payee for having received the payment resulted in suspected fraudulent payment of ₹20,000 to an official. An amount of ₹21,944 was passed for payment, whereas the actual amount was only ₹1,944.

On this being pointed out, the Society recovered (5 May 2017) an amount of ₹21,500 from the Accounts Officer. It also replied that action would be initiated to conduct detailed inspection of all records and obtain explanation from all concerned officials.

Government replied (November 2017) that after obtaining approval of Joint Labour Commissioner, ₹21,944 was withdrawn towards petrol expenses and repairing the office vehicle. It further stated that on

⁵¹ Cheque issued register and Travelling Conveyance ledger.

utilising ₹1,944 towards petrol expenses, balance ₹20,000 was kept as petty cash, which was remitted back to bank account during May 2017. The reply is not acceptable as there was mismatch between the amount in figures and amount in words in the voucher and the cash bill number 79245 dated 30 October 2015 of the same station stated 40 liters of diesel with amount as ₹21,944. This clearly indicated that the vouchers were deliberately manipulated. Further, the procedures required for regulating contingent expenditure was not followed by the Treasurer as well as by the Member Secretary. The matter, therefore, calls for investigation and fixing of responsibility for deliberate manipulation.

Department of Primary & Secondary Education

4.6 Excess distribution of uniforms

In five districts there were huge variations in the number of students to whom uniforms were distributed under Vidya Vikasa Yojane during 2015-16 and 2016-17 when compared to the student strength as per U-DISE data. This indicated that there was a possibility of excess distribution of uniforms worth ₹1.72 crore in five districts.

The Government of Karnataka is implementing Vidya Vikasa Yojane for students of Class I to X studying in Government schools. Under the scheme, cloth for one set of uniform and funds for one pair of shoes and two pairs of socks are released to the schools by Commissioner of Public Instructions (CPI). The release is based on indents obtained from the respective Deputy Directors of Public Instruction (DDPIs), who in turn collect information from the concerned Block Education Officers (BEOs).

CPI, through State Project Director, Sarva Shiksha Abhiyan is also responsible for preparation of State report of the Unified District Information System for Education (U-DISE), which collects information on enrolment, availability of infrastructure and teachers and other facilities available in all schools across the country. Since the data for U-DISE and also for the scheme for distribution of uniforms and shoes and socks is collected by same institutions, the data should match or should have minimal variations. In addition, during any year, number of students considered for both the benefits should ideally be the same.

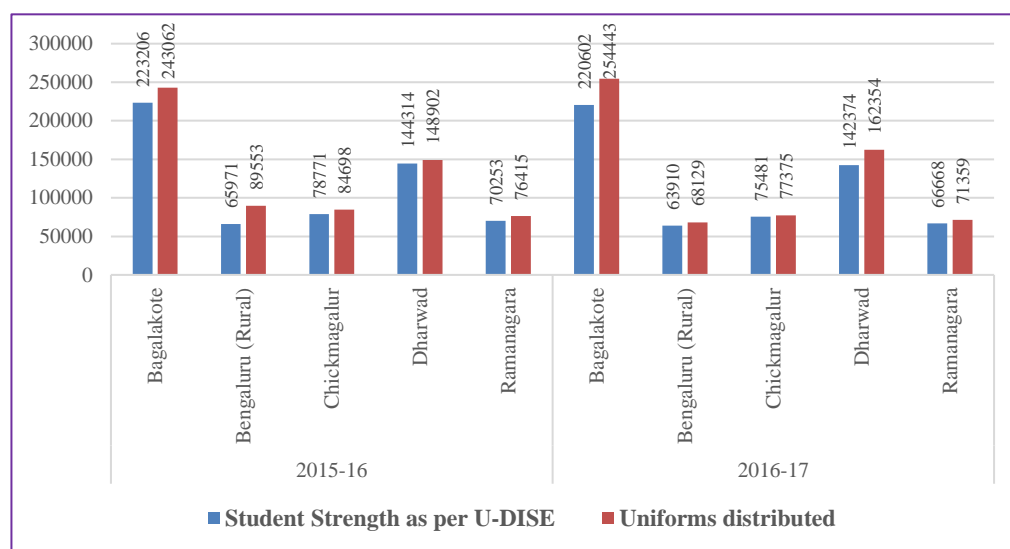
On scrutiny of records, we observed that during the academic year 2015-16, while CPI placed purchase orders for 52,73,028 sets of uniforms, it released funds for purchase of shoes and socks for 47,42,713 number of students. However, according to U-DISE database, only 47,45,846 number of students were enrolled in the Government schools in Class I to X across the State during 2015-16. Similarly, during 2016-17, it placed purchase order for 49,44,874 sets of uniforms against student strength of 46,50,340 (U-DISE). Hence, there was a huge variance between U-DISE data and purchase orders for uniforms. Complete information regarding uniforms

actually distributed during 2015-16 and 2016-17 was not available except in five⁵² districts.

Audit observations on analysis of information provided by the five district are discussed below:

- The number of students for whom funds were released to schools for shoes and socks (5,82,665) during 2015-16 is almost similar to the number of students enrolled (5,82,515) as per U-DISE data. However, number of uniforms distributed in 2015-16 and 2016-17 was far in excess of number of students enrolled as per U-DISE data as detailed in **Chart-4.3**. Thus, there was a possibility of excess distribution of 60,115 and 64,625 uniforms worth ₹1.72 crore⁵³ during 2015-16 and 2016-17 respectively.

Chart-4.3: Details of number of students who availed benefit of uniforms as per U-DISE in five districts of the State



- The number of students as per fund release for shoes and socks for the years 2015-16 is 59,965 less than the number of students to whom uniforms have been distributed.
- The format for indent received from districts includes details of “undistributed set of uniforms at the beginning of the year” besides the details of uniforms received, uniforms distributed and undistributed uniforms in the current year. Ideally, the closing balance of previous year should be opening balance of subsequent year. However, on comparison of closing balance of uniforms of previous year with opening balance of uniforms of subsequent year, we observed that there was a mismatch in all the five districts as brought out in **Table-4.7**. This indicated that the uniforms were not accounted for in any of the five districts.

⁵² Bagalkot, Bengaluru (Rural), Chickmagalur, Dharwad and Ramanagara.

⁵³ Conservative estimate at lowest slab rate of ₹138 per set.

Table-4.7: Details of Closing Balance and Opening Balance of Uniforms

District	CB in 2014-15	OB in 2015-16	CB in 2015-16	OB in 2016-17
Bagalkote	668	0	36,045	43,862
Bengaluru (Rural)	300	0	400	19,196
Chickmagalur	11,801	8,409	7,595	7,235
Dharwad	3,721	0	4,789	0
Ramanagara	640	934	1,904	4,007

Thus, there was huge variation in indents as well as distribution of uniforms when compared to U-DISE data due to lack of mechanism to cross-check the information received from districts with other sources. This resulted in possibility of excess distribution of 1,24,740 uniforms worth ₹1.72 crore to non-existing children. Since the variation between uniforms supplied to districts and U-DISE data for 2015-16 and 2016-17 in the entire state was 5,27,182 worth ₹7.27 crore⁵⁴ and 2,94,534 worth ₹4.06 crore respectively, the State Government may examine the matter in respect of all districts.

In this regard, the State Government replied that the process of compiling the indents for 2015-16 began during the month of September/October 2014 by collating the details available at hand. Further, it stated that during that period U-DISE data pertaining to the year 2013-14 was available. This reply is not acceptable as the U-DISE data for the year 2014-15 is available with State Project Director, SSA by October 2014, when the indents for uniforms are received from DDPIs.

Further, the reply was silent about the reasons for distribution of uniforms in the five districts in excess to the number of students as per U-DISE data. The reply was also silent about the variations between closing balances and opening balances of uniforms and difference between number of students given uniforms and shoes and socks in the five districts.

Department of Revenue

4.7 Avoidable expenditure due to excess acquisition of land

Excess acquisition of 0.24 acres of land by the Revenue Department and its transfer to South Western Railways resulted in extra expenditure of ₹9.75 crore by the State Government.

The Government of Karnataka accorded (February 2011) administrative approval for 'Construction of eight lane signal free corridor from Okalipuram junction to Fountain circle in Bengaluru City' with Bruhat Bengaluru Mahanagara Palike (BBMP) as the implementing agency. The said work required 3.16 acres of land belonging to South Western Railways (SWR). SWR agreed (November 2012) to hand over the above land subject to acquisition and transfer of equal area of Binny Mill land essential for its operational convenience. Subsequently, SWR identified 3.16 acres of land which it required and communicated the same to the Revenue Department during November 2012.

⁵⁴ Conservative estimate at lowest slab rate of ₹138 per set.

In this connection, we observed that the State Government approved (January 2013) acquisition of 3 acres 16 guntas⁵⁵ (3.4 acres) of Binny Mill land invoking the emergency clause⁵⁶ under Section 17(1) and (4) of the Land Acquisition Act, 1894, instead of 3.16 acres of land. Hence, the State Government ordered for an excess acquisition of 0.24 acres of land. Based on the above order, the Special Land Acquisition Officer took possession of 3 acres 16 guntas (3.4 acres) of land on 16 January 2014 and handed it over to SWR on 21 March 2014. Thus, excess land measuring 0.24 acres was handed over to SWR.

The compensation was fixed at ₹158.24 crore and the interest thereon due to delay in payment of compensation was released to the land owner in three installments during April 2014, March 2015 and December 2015.

Due to excess acquisition of land, the State Government incurred extra expenditure of ₹9.75 crore⁵⁷ towards compensation and interest thereon for delay in payment of compensation to the landowner.

Thus, due to lapse in issue of Government Order by the Revenue Department, it resulted in excess acquisition of land and its transfer to SWR leading to extra expenditure of ₹9.75 crore.

Government in its interim reply (December 2017) stated that final reply would be furnished after examination.

Department of Urban Development

4.8 Avoidable extra expenditure due to adoption of incorrect shell thickness of Mild Steel pipes

Karnataka Urban Water Supply and Drainage Board adopted higher shell thickness of Mild Steel Pipes in the two Water Supply Schemes to Bailahongal and Guledagudda, which resulted in avoidable expenditure of ₹1.67 crore.

The Karnataka Urban Water Supply and Drainage Board (Board) implements Water Supply Schemes (WSS) and Underground Drainage Schemes in the urban areas of the State except Bengaluru city.

Pipelines are major investments in any WSS and as such represent a large portion of the capital investment in the Board. Therefore, while selecting pipe materials and also during designing pipelines, careful consideration of the

⁵⁵ One acre = 40 Guntas.

⁵⁶ In case of urgency, the Government may direct the Deputy Commissioner to take possession of any land needed for public purpose where no award is made on the expiry of 15 days from the publication of the notice under Section (9) subsection (1). Such land shall vest absolutely in the Government free from all encumbrances. Also, in such cases, provisions of subsection (5)(a) shall not apply.

⁵⁷ The cost towards 10 per cent establishment charges and one per cent towards administrative cost was not considered.

appropriateness and cost involved is called for. The Board while designing pipelines for all WSS, adopts Hoop Stress method⁵⁸ for calculating shell thickness of Mild Steel (MS) pipes for raw water mains of various diameters.

Government of Karnataka, administratively approved WSS to Bailahongal (January 2009) and Guledagudda (February 2009) at an estimated cost of ₹34.00 crore and ₹59.92 crore respectively. The scheme included laying of 8,120 running meters (Rmt) of 610 mm Outer Diameter (OD) pipe in Bailahongal and 32,755 Rmt of 508 mm OD pipe in Guledagudda. The works were completed during August 2014 and final Running Account Bills were yet to be settled (August 2017).

On scrutiny of records of WSS to Bailahongal and Guledagudda towns, we observed that the minimum thickness of MS pipes required in the above two WSS using the Hoop Stress formula, was worked out as 1.9 mm and 2.28 mm respectively. In the Detailed Project Reports (DPR) of these two works, we observed that the shell thickness of MS pipes was proposed by the Executive Engineer and approved by the Managing Director of the Board was 5.6 mm after recording the following reasons:

WSS to Guledagudda	<ul style="list-style-type: none"> The minimum thickness available in the market for the pipeline with outer diameter of 508 mm is 5.6 mm. During handling of pipes at the site, due to less thickness, the pipes would lose their shape. As a result, welding of pipes would be difficult.
WSS to Bailahongal	<ul style="list-style-type: none"> As per Board's Schedule of Rates, the minimum thickness available was 5.6 mm. Ratio of inner diameter to the thickness of MS pipe for 5.6 mm thickness was less than 1.58 mm, which was adequate to prevent external deflection and vacuum buckling of pipeline.

However, from the records, we observed that against the above recommendation, the Board provided 6.4 mm thickness pipeline in the estimates of both the above said WSS and the work was awarded accordingly. Since the DPRs were prepared based on individual requirement of the projects, adoption of higher thickness than required as per approved DPR resulted in avoidable expenditure of ₹1.67 crore as detailed in **Table-4.8**.

Table-4.8: Avoidable expenditure on account of adoption of higher shell thickness

Sl. No	Name of WSS	Outer diameter (in mm)	Thickness proposed in DPR (in mm)	Thickness adopted (in mm)	Additional thickness provided (in mm)	Length of the pipe (in rmt)	Additional weight ⁵⁹ (in metric tonne)	Rate of steel / metric tonne (₹)	Avoidable extra expenditure (₹ in lakh)
1	Bailahongal	610	5.6	6.4	0.8	8,120	97.60	53,500 (CSR 2012-13)	52.22
2	Guledagudda	508	5.6	6.4	0.8	32,755	327.88	35,000 (CSR 2009-10)	114.76
	Total								166.98

⁵⁸ Hoop stress is defined as the force exerted circumferentially in both direction on every particle in the cylinder wall. Hoop stress = $pd/2t$.
Where p = pressure in pipe in kg/cm^2 , d= inner diameter of the pipe in cm, t= thickness of MS plate in cms and Hoop stress = 1500 $kg/sq\ cm$.

⁵⁹ Excess weight in kgs/meter = [Outer diameter (in mm) – additional thickness (in mm)]* additional thickness (in mm) * 0.0246615.

The Government replied (September 2017) that the shell thickness of 6.4 mm was proposed in DPR after giving consideration of other factors *viz.*, ability to withstand stress imposed during construction, deformation when not under pressure, external loads *etc.*, that influence the design. The reply is not acceptable as shell thickness of 5.6 mm itself was proposed against 1.9 mm & 2.28 mm thickness worked out after considering the above factors in WSS to Bailahongal and Guledagudda towns respectively.

4.9 Avoidable expenditure

Bangalore Development Authority awarded work of construction of Signal Free Corridor to a contractor without ensuring availability of land in violation of Karnataka Public Works Departmental Code. This resulted in rescinding of the contract and avoidable expenditure of ₹99.33 lakh on settlement of contractual obligations.

Paragraph 135 of the Karnataka Public Works Departmental Code, stipulates that the Department should ensure availability of site and other requisites such as sanctions from appropriate authorities, design and drawings and provision of funds before inviting tenders for a work.

Government of Karnataka entrusted (August 2010) work of Signal Free Corridor from Mekhri Circle to Km10 of NH4 Bengaluru-Pune section to Bangalore Development Authority (BDA). The administrative approval for first phase of the work, which included Construction of flyover at New Bharat Electronics Limited Road (New BEL Road) junction and an under pass at MS Ramaiah road junction along Sir CV Raman Road, was accorded (September 2010) by BDA at an estimated cost of ₹27 crore. After following due procedures, the work was entrusted (September 2011) to the lowest bidder at a contract price of ₹25.29 crore.

In order to execute the above work, BDA was required to acquire 7,962 square metres (sqm) of land from various Central Government Organisations *viz.*, Indian Air Force (IAF), Indian Institute of Science, Central Power Research Institute, Bharat Heavy Electricals Limited, *etc.*, situated along the stretch of Sir C V Raman Road.

From the records, we observed the following:

- BDA approached IAF for transfer of 533.34 sqm of land in March 2012 *i.e.*, seven months after issue of work order (September 2011) for the project.
- IAF turned down the request of BDA stating that as per the Memorandum of Understanding (August 2005) signed between IAF and Bruhat Bengaluru Mahanagara Palike (BBMP), no further widening in Air Force land alongside Sir C V Raman Road would be proposed by BBMP. It also stated that the land sought by BDA would directly impinge the functioning of the Kendriya Vidyalaya School.
- Subsequently, BDA decided (February 2013) not to implement the project due to non-availability of land from IAF and delay in response from other landowners. BDA rescinded the contract (March 2013).

- Thereafter, the contractor requested (April 2013) appointment of an arbitrator for adjudication under Arbitration and Conciliation Act, 1966, for which, BDA appointed an arbitrator in June 2013.
- The arbitrator passed an award (December 2014) with directions to BDA to pay ₹78.63 lakh to the contractor within 90 days, failing which, interest @ 18 per cent per annum would have to be paid from the date of award till the date of actual payment.
- BDA after a delay of one year accorded approval (December 2015) for payment of ₹94.56 lakh⁶⁰ (including interest) to the contractor. The amount was paid in April 2016. Besides, BDA also incurred expenditure of ₹4.77 lakh towards arbitrator professional charges.

Thus, injudicious decision of BDA to entrust the work prior to acquisition of land in violation of codal provision resulted in avoidable expenditure of ₹99.33 lakh.

The matter was referred to Government in September 2017; reply was awaited (December 2017).

Department of Welfare of Backward Classes

4.10 Unauthorised investments in Mutual funds and fraudulent misrepresentation of the resultant losses

Executive Director of Karnataka Backward Classes Department Buildings Construction Society unauthorisedly invested ₹10.50 crore of Society funds in Mutual funds and incurred a loss of ₹1.79 crore. This loss was fraudulently misrepresented as profit of ₹0.23 crore by way of including an unauthorised investment of ₹2.13 crore by Bangalore Development Authority in favour of the Society.

The Karnataka Backward Classes Department Buildings Construction Society (Society) is established to manage hostel buildings, shelter, office buildings of the Department. As per the Memorandum of Association of the Society, the management of the Society vests with the Governing Council (GC), which is the competent authority to maintain the funds of the Society and to invest the funds in such manner as the Society may decide. The Executive Director (ED) of the Society is over all in-charge of all functions of the Society and operates its bank accounts.

As per the guidelines issued by the Karnataka State Bureau of Public Enterprises, no investments are to be made by a Public Sector Enterprise in Public and Private Mutual Funds, where its operations were equity based.

On scrutiny of Society's records, we observed that contrary to the above guidelines, the Society, during December 2005 and May 2006 invested ₹10.50 crore out of its own funds in HSBC Mutual Fund. Against the said investment, the Society claimed to have redeemed (between March 2006 and July 2006) ₹10.83 crore.

⁶⁰ ₹78.63 lakh + 18 per cent interest on ₹78.63 lakh for 13 months and 17 days.

Report of the Comptroller and Auditor General of India on General and Social Sector for the year ended March 2015, Government of Karnataka, contained the findings of a Special Audit of the Investments made by the Bangalore Development Authority (BDA) in Mutual Funds. During the Special Audit, we observed that two Banker's cheques of ₹2.13 crore⁶¹ were drawn by debiting unauthorised accounts of BDA and were used to invest in Mutual Fund in favour of the Society instead of BDA⁶². The State Government also ordered a parallel investigation by the State Criminal Investigation Department (CID).

Subsequent to the Special Audit of BDA, the Commissioner of BDA communicated (August 2015 and October 2015) to the Society that though the Society redeemed the investments and realised the money, it did not return the amount and hence claimed refund of ₹2.13 crore along with interest.

The Society in reply (November 2015) to the above claim, informed BDA that ₹2.13 crore was invested with HSBC Mutual Fund in favour of the Society by ED after relinquishing his charge as ED of the Society. Further, the Society stated that as no bank transactions were recorded in the Society's books of account for the said investment, the concerned officer was responsible for the said irregular financial transaction.

Thereafter, based on the briefing of the progress of the case by CID, the Additional Chief Secretary, Urban Development Department decided (15 March 2017) to freeze the Society's bank account to the extent of loss incurred by BDA *i.e.*, ₹4.67 crore⁶³. The amount is yet (June 2017) to be returned to the Society.

In this regard, we observed the following:

- GC of the Society did not delegate the functions of administering the funds including investment of deposits in the funds to ED. Hence, all the decision making power with regard to investments rested with the GC. Further, the Society did not constitute an Investment Committee for setting benchmarks, reviewing investment activities and performances of the investments made.
- ED, contrary to the Memorandum of Association of the Society as well as guidelines issued by the State invested the Society's moneys in Mutual Funds by recording (November 2005) in the notings as 'that since the Fixed Deposit schemes of banks do not yield much benefit to the Society, we may consider investing in other schemes of the commercial bank which yield much higher return as done in other Government agencies such as Karnataka Power Transmission

⁶¹ One for ₹two crore drawn on 26 June 2006 and the other for ₹12.68 lakh drawn on 30 June 2006.

⁶² 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 the unauthorised transfer of fund from BDA to the Society and the concerned ED.

⁶³ Investment of ₹2.13 crore + Interest of ₹2.54 crore calculated at the rate of 12 *per cent* from April 2006 to February 2017 when the accounts were frozen.

Corporation Limited, Krishna Bhagya Jala Nigam Limited, Coffee Board, Bangalore Development Authority, etc.

- The above decision of ED was in contradiction to the decision (September 2005) of GC to invest the funds in Fixed Deposits. ED further recorded that ratification for investing in Mutual Funds would be obtained in the next GC meeting. However, no such ratification was obtained and hence the investments made were unauthorised.
- There was no system in place for verification, periodical review and reconciliation of investments made between the Society and investment agencies. Hence, in the instance case, audit worked out the gain/loss statement from the information made available by the fund house, which is indicated in the **Table-4.9**.

Table-4.9: Net gain/loss on amount invested in Mutual Fund

(Amount in ₹)

Sl. No.	Investment date	Invested amount	Redemption date	Redemption value	Net Gain (+) / Loss (-)
1	21.12.2005	2,50,00,000	06.03.2006	2,60,21,651	(+) 10,21,651
2	25.04.2006	4,00,00,000	20.06.2006	3,08,47,844	(-) 91,52,156
3	27.04.2006	4,00,00,000	20.06.2006 to 28.06.2006	3,02,13,862	(-) 97,86,138
4	26.06.2006	2,00,00,000*	02.07.2006	2,12,88,692	(+)20,692
5	29.06.2006	12,68,000*			
	Total	12,62,68,000		10,83,72,049	(-) 1,78,95,951

* Not reflected in books of the Society.

Hence, there was a loss of ₹1.79 crore against unauthorised investment of ₹10.50 crore of Society's funds in Mutual Funds, which was misrepresented as profit of ₹0.23 crore by investing additional ₹2.13 crore from BDA in Mutual funds without bringing it to Society's books of accounts.

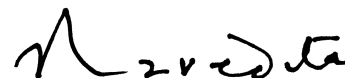
- In reply to BDA's claim, the Society stated that it had no information with regard to investment of ₹2.13 crore in favour of Society and hence claimed that the redemption amount of ₹8.24 crore was against the Society's own investment of ₹eight crore made during April 2006. However, the Accounts Statements dated 30 June 2006 and 3 July 2006 of HSBC received (July 2006) by the Society reflected purchase of units worth ₹2.13 crore on 26 June 2006 and 29 June 2006 under HSBC Cash Fund-Growth. It can, therefore, be concluded that the Society was aware of the additional investment of ₹2.13 crore and did not take action to identify the source of funds for the said investment. Further, the Society masked the loss of ₹1.79 crore and portrayed it as profit of ₹0.23 crore by denying the investment of ₹2.13 crore made in favour of the Society by BDA.
- The loss to the Society on account of fixed deposit interest foregone till June 2017 due to unauthorised investment in Mutual Fund by ED worked out to ₹1.14 crore⁶⁴.

⁶⁴ While working out interest loss, Audit examined the interest earnings of the amounts that were invested in Mutual Fund, at minimum interest of five *per cent* of term deposits in nationalised banks.

Thus, unauthorised investment by ED in Mutual Funds resulted not only in loss of ₹1.79 crore to the Society but also in cumulative interest loss to the extent of ₹1.14 crore. Besides, this loss was fraudulently misrepresented as profit of ₹0.23 crore by ignoring investment of additional ₹2.13 crore of BDA funds in Society's Mutual Funds. This also resulted in freezing of Society's accounts to the extent of ₹4.67 crore.

Government accepted (October 2017) the observations of Audit.

Bengaluru
The



(E.P.Nivedita)
Accountant General
General and Social Sector Audit
Karnataka

Countersigned

New Delhi
The



(Rajiv Mehrishi)
Comptroller and Auditor General of India