

Chapter-III

Compliance Audit

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Department of Kannada and Culture

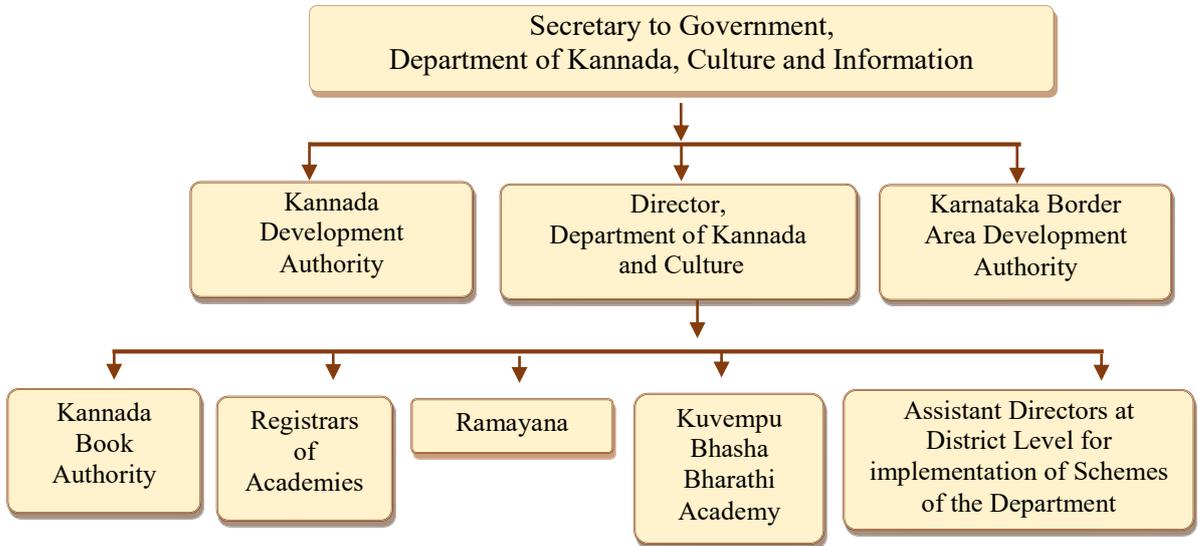
3.1 Thematic audit on the promotion and propagation of the Language and Culture of Karnataka

3.1.1 Introduction

The State of Karnataka has fostered various religions and philosophies, that in turn, have influenced literature, architecture, folklore, music, painting, and other arts. The cultural heritage of the State lies not only in art and architecture but also in its language. Kannada is spoken as a native language by about 66 *per cent* of the people of Karnataka (census 2011). It is the administrative language of Karnataka and is also recognised as a classical language³¹.

The promotion and propagation of the Language and Culture of Karnataka is under the overall control of the Secretary to Government, Department of Kannada, Culture and Information (Department). The organisational chart of the Department is indicated in **Chart-3.1**.

Chart-3.1: Organisational chart of the Department of Kannada and Culture



Audit covering the period 2013-14 to 2017-18 was conducted during April 2018 to August 2018 to assess whether the Department complied with the various guidelines issued for promoting and propagating Kannada including regional languages *viz.*, Tulu, Konkani, Kodava and Beary and Culture. This was done

³¹ Criteria for determining a language as Classical Language by GoI is high antiquity of its early tests/recorded history over a period of 1500-2000 years, literary traditions be original and not borrowed from other speech community and classical language & literature being distinct from modern form of the language.

through test-check of records of the Secretariat, the Directorate and Assistant Directorates of ten³² test-checked districts selected through Simple Random Selection Method. In addition, records of Kannada Development Authority (KDA), Karnataka Border Area Development Authority (KBADA), Kannada Book Authority (KBA), 10 out of 12³³ Academies in ten test-checked districts, all four Rangayanas³⁴, Kannada Sahitya Parishath (KSP) and Kannada Janapada Parishath (KJP) were test-checked. Audit methodology also included joint physical verification of the cultural bhavans with the representative nominated by the Department. The report takes into account the replies furnished by the Government in response to the audit observations communicated to them.

3.1.2 Utilisation of funds

The budget allocation and expenditure incurred during 2013-14 to 2017-18 is indicated in **Table-3.1**.

Table-3.1: Budget allocation and expenditure

(₹ in crore)

Year	Budget allocation	Expenditure	Percentage of expenditure to allocation
2013-14	372.41	309.67	83
2014-15	399.00	321.81	81
2015-16	433.77	399.55	92
2016-17	471.10	426.47	91
2017-18	544.06	505.15	93

Source: Information furnished by the Department

From the Table, it is noticed that the expenditure ranged between 81 and 93 *per cent* of allocation. Though most of the funds allocated were expended, there were lapses in implementing the schemes meant for promotion and propagation of Kannada language and culture which are discussed in subsequent paragraphs.

3.1.3 Audit findings

3.1.3.1 Delay in framing Cultural Policy

Though the Department has been in existence since 1977, it had not framed any cultural policy for the State. Hence, in order to frame cultural policy for the State, GoK constituted a 'Draft Review Committee' in June 2012 and again reconstituted it in August 2013. The committee submitted (June 2014) a draft Cultural Policy which included principles and recommendations. The State Government, further constituted (May 2016) a sub-committee to study the draft Cultural Policy and give its recommendations. The sub-committee in turn gave its recommendations in May 2017 which was approved by the Government

³² Bagalakote, Ballari, Belagavi, Bengaluru, Bidar, Chitradurga, Dakshina Kannada, Mandya, Mysuru, Shivamogga.

³³ (1) Karnataka Music and Dance Academy (2) Karnataka Drama Academy (3) Karnataka Literary Academy (4) Karnataka Fine Arts Academy (5) Karnataka Janapada Academy (6) Karnataka Kodava Academy (7) Karnataka Konkani Academy (8) Karnataka Tulu Academy (9) Karnataka Shilpakala Academy (10) Karnataka Yakshagana Academy (11) Karnataka Beary Academy (12) Karnataka Arebhashe Academy.

³⁴ Rangayana Mysuru, Rangayana Kalaburagi, Rangayana Shivamogga and Rangayana Dharwad.

during October 2017. However, the Department is yet to prepare (September 2018) an action plan for its implementation.

Government replied (December 2018) that it had issued orders with regard to awards, establishment of academics and also guidelines for appointment of Chairman/members of various Trusts/Foundations under the Department. It further stated that action would be initiated for implementing other recommendations in the policy. Hence, even though Government approved the cultural policy, the Department was yet to take action on all the recommendations.

3.1.3.2 Promotion and propagation of Kannada Language

(a) Non-establishment of separate Centre of Excellence for studies in Classical Kannada in Bengaluru

Subsequent to the recognition (October 2008) of Kannada as a Classical language, the Government of India (GoI) established (September 2011) a Centre of Excellence for studies in Classical Kannada (Centre) at the Central Institute of Indian Language (CIIL), Mysuru, GoI grants amounting to ₹8.91 crore was released during 2011-12 to 2016-17 and an expenditure of ₹2.78 crore has been incurred towards preservation, promotion and propagation of language, culture and heritage of Karnataka.

The Centre at the CIIL, Mysuru had incurred an expenditure of ₹0.68 crore during 2011-13 against release of ₹2.73 crore (25 per cent) as grants by GoI. Since the State Government felt that the utilisation of grants was meagre, it proposed (May 2013) for establishment of the Centre as an Independent Body at Bengaluru under the aegis of the State Government. In response, GoI accepted (October 2013) the proposal in principle but stipulated a condition. As CIIL, Mysuru was the policy advisor in the matter of languages to both GoI and also the States, the Ministry of Human Resources Development stipulated that the Centre after its relocation to Bengaluru would continue to remain with CIIL, Mysuru but with functional autonomy. It also directed to furnish details of the infrastructure required for establishing the Centre in Bengaluru for taking up the matter further. Though the State Government identified the required land in the Bangalore University campus, the land was yet to be handed over (September 2018) to the Department of Kannada and Culture. Hence, the request of the State Government for an independent Centre for implementation of its objectives was defeated as it was not established even after five years of sending the proposal to the GoI.

In addition, we observed that the CIIL had delayed appointment of staff for the existing Centre due to the request of the Government of Karnataka for an independent body. Hence, all the staff *viz.*, Project Director, Senior Fellow, Associate Fellow and other administrative staff were appointed only after September 2015.

Thus, inaction on the part of the State Government in obtaining infrastructure resulted in non-utilisation of Central Assistance optimally.

Government stated (December 2018) that in order to establish coordination between CIIL and Centre, a proposal for nominating a representative from the

Central Government in the Committee of the Centre has been submitted (August 2018) by the Department. However, the reply is silent with regard to its acceptance as well as on the reasons for delay for transfer of land.

(b) Non-monitoring of implementation of the Kannada Language Learning Act, 2015

The State Government enforced (May 2015) the Kannada Language Learning Act, 2015 to ensure learning of Kannada as one of the languages in all schools across the State. As per the Act, Kannada language is to be taught as a compulsory language in all classes in the schools in the State either as the first or second language in a phased manner from the academic year 2015-16. The Deputy Director (Administration) of Districts and Directors³⁵ were nominated for monitoring the implementation of the said Act only in May 2017. Thereafter, the State (Department of Education) framed Kannada Language Learning Rules in October 2017 and prescribed the implementation year as 2017-18. We observed that 47 schools³⁶ out of 26,031 schools across the State had not yet introduced Kannada as a compulsory language. Out of these 47 schools, 31 schools³⁷ were located in Bengaluru.

Government stated (December 2018) that a letter in this regard would be addressed to Primary and Secondary Education Department.

(c) Promotion of Kannada Language in Kannada and Regional films

In order to promote Kannada and other regional languages of the Karnataka film industry, the State Government introduced the Kannada Film Policy, 2011. The policy provided for subsidy for Kannada regional films under various categories viz., Children films, films based on stories prior to independence or any literary works, award winning movies and general category movies which intend to spread good messages. Under the general category, the subsidy for each movie was ₹10 lakh. The details of subsidy released to movies under the General category is given in **Table-3.2**.

Table:3.2: Details of subsidy released to movies under general category

(Amount ₹ in crore)

Year	No. of films in which subsidy extended	Amount of Subsidy	No. of Films released	No. of films Not released	Subsidy extended to films not released
2013	79	7.90	63	16	1.60
2014	89	8.90	58	31	3.10
2015	80	8.00	52	28	2.80
2016	101	10.10	46	55	5.50
Total	349	34.90	219	130	13.00

Source: Information furnished by the Department

From the above table we observed that while the number of movies in general category increased *i.e.*, from 79 in 2013 to 101 in 2016, the number of movies released decreased from 63 to 46. Hence, the percentage of films not released increased from 20 to 54 *per cent*. Thus, non-screening of movies resulted in

³⁵ Director (Secondary Education) for Bengaluru and Mysuru Division; Director (Department of Public Instruction) Kalaburagi for Kalaburagi division and Director (Department of Public Instruction) Dharwad for Dharwad division.

³⁶ 39 schools were Central Board of Secondary Education (CBSE) & Indian Certificate of Secondary Education (ICSE) Schools and eight schools were State syllabus schools.

³⁷ Eight State syllabus schools; 23 CBSE/ICSE schools.

non-achievement of the basic objectives of spreading good messages and promoting the regional art, culture, heritage *etc.* Since no monitoring mechanism was prescribed in the policy for release of films, the basic objective of promoting Kannada and other regional languages through screening of films was not achieved. Hence the State may consider to put in place a mechanism to monitor screening of Kannada films for which subsidy has been released.

3.1.3.3 Schemes for promotion and propagation of Kannada language and Culture.

To promote Kannada language and cultural development, the Department implements various schemes. The schemes and the expenditure incurred for the years 2013-14 to 2017-18 are detailed in **Appendix-3.1**. The audit observations in respect of implementation of the following five schemes are discussed in the subsequent paragraphs.

- Financial Assistance to Cultural Associations/Institutions for cultural programmes
- Financial Assistance to Cultural Associations/Institutions for construction of cultural bhavans
- Pension scheme for artists/litterateurs
- Sale of Kannada books printed by Department
- Digitisation of books

(a) Financial Assistance to Cultural Associations/Institutions for cultural programmes

The scheme provides for financial assistance to Cultural Associations/Institutions/ Trusts established only for the purpose of art, literature and culture. A scrutiny committee at the District level consisting of Assistant Director as head and maximum three members serving in the various Academies of the District or senior artists of various fields scrutinises the applications received and makes recommendations. The recommended applications received from the districts are placed before the Grants Sanction Committee for sanction of grants. The Committee is headed by a Chairman who is Principal Secretary to the Government of Karnataka, Department of Kannada, Culture and Information and consisting of one Member Secretary and six other members from various Departments.

During 2013-14 to 2017-18, a total of 3,738 grantees were sanctioned ₹65.54 crore. In the test-checked 10 districts, out of 1,982 cases involving ₹39.94 crore, we observed the following:

- (i) The project proposals were required to be submitted online. We, however, observed that in 40 cases even though applications were not submitted online, assistance amounting to ₹8.69 crore was extended based on recommendations of public representatives. In addition, we observed that eight applications which were received initially through online were rejected for non-submission of required documents, *viz.*, certified accounts, documentary evidence of photos, *etc.*, subsequently were extended financial assistance of ₹1.00 crore based on recommendations of public representatives. This indicated that these eight applications were subsequently considered without submitting applications through online

which was contrary to the guidelines. Further, this was indicative to the doubtfulness of utilisation of grants released towards conducting of cultural programmes.

- (ii) The quantum of financial assistance for an institution has not been defined under this scheme. As a result, there is no consistency in the amounts approved for financial assistance which ranged between ₹10,000 and ₹65 lakh in the test-checked cases. Further, no justification was recorded by the Grants Sanction Committee while deciding the quantum of financial assistance to institutions.
- (iii) In accordance with the Appendix 1 of the Government order (September 2015), financial assistance was to be extended only for institutions with the sole objective of conducting cultural programmes, promoting art and literature and not to institutions with multi-purpose activities. In 54 cases, assistance of ₹17.50 crore was extended even though the institutions had multi-purpose activities such as education institutions, rural development, media, disbursement of social security pension *etc.* Further scrutiny of the certified accounts submitted by three institutions indicated that financial assistance were utilised for purposes other than cultural activities *viz.*, salary to staff, sports festival, Republic day celebrations, agricultural expenses, pooja activities *etc.*
- (iv) Presence of four artists in the institution seeking financial assistance was mandatory. In 137 cases, audit noticed that even though the number of artists in the institution was less than four, financial assistance of ₹16.74 crore was extended.
- (v) Registration of institutions and submission of certificate of renewal of registration by the registered institutions is mandatory for applying for financial assistance. In one case, though the institution was not registered, it was extended financial assistance amounting to ₹1.50 crore during 2015-16 to 2017-18. Similarly, we observed that though four institutions had not renewed registration (**Appendix-3.2**), financial assistance amounting to ₹31.00 lakh was extended. Further, in 11 districts, financial assistance was extended to 120 institutions (January 2018) amounting to ₹1.60 crore through Deputy Commissioners for conducting Karaga Utsav³⁸. However, while releasing the amount, the Department did not stipulate any conditions such as registration numbers, renewal certificates, certified accounts, *etc.*, to be provided in order to ensure whether the institutions receiving assistance were registered or had renewed their registration.
- (vi) Applications were required to be accompanied *inter alia* by the audited statements of accounts. In 11 cases assistance of ₹1.44 crore was extended even though the institutions had not submitted their audited statement of accounts for the releases (₹3.38 crore) in the earlier years (**Appendix-3.3**).
- (vii) Though financial assistance was to be extended to an institution only once in a financial year, in 10 cases, assistance was extended twice in a financial year both online and offline. While online assistance was ₹34 lakh, the offline releases was ₹132.50 lakh. The grants sanction committee without

³⁸ Karaga Utsav is an oldest festival celebrated by 'Thigala' community of Southern Karnataka.

verifying the online releases, released the offline amount indicating serious lapses on the part of its functioning. (**Appendix-3.4**).

- (viii) The scheme guidelines do not provide for submission of utilisation certificate by the grantees on completion of the financial year. Hence, no utilisation certificates were available in the Department in respect of all the cases in the test-checked districts. Thus, audit could not verify the utilisation of the assistance.
- (ix) The scheme guidelines do not specify that the institutions should receive financial assistance only from one department/authority. In 35 cases, we noticed that the institutions had availed financial assistance both from the Department (₹65.50 lakh) as well as from the Karnataka Border Area Development Authority (KBADA) (₹134 lakh). Thus, there is no coordination between KBADA and the department in releasing of grants.
- (x) The Trusts are also extended with financial assistance under the scheme. Hence the scheme guidelines also apply for Trusts. The Department has been releasing grants for 23 Trusts/foundations established for preserving and propagating the contributions of literatures. The Department released ₹12 lakh each as grants for these 23 Trusts up to 2016-17 and ₹15 lakh each from 2017-18 onwards. Though the guidelines did not specify submission of utilisation certificates, while releasing the amounts, the Department had endorsed the condition that it should submit utilisation certificates for the amount released in respect of these Trusts. However, we observed that grants were released in respect of three Trusts despite non-submission of utilisation certificates for the previous years (**Appendix-3.5**). In addition, it was observed that the unspent grant of ₹12 lakh was kept as fixed deposits by one Trust³⁹. Thus, there were lapses in monitoring the utilisation of funds before release of grants for subsequent years.

From the above observations, we notice that there were lapses in framing guidelines as well as monitoring of utilisation of funds by the Department. This resulted in grant of financial assistance to ineligible institutions. Besides, the Department could not ensure that the funds released were utilised towards promotion of cultural activities.

Government stated (December 2018) as follows:

- Some cultural associations which had recommendations of Chief Minister, various Ministers and public representatives were extended financial assistance under discretionary powers of the Department.
- Guidelines of the scheme would be revised based on audit observations.
- Instructions would be issued to the Associates/Institutions/Trusts to utilise the amount in the relevant year itself.
- Action would be initiated to avoid lapses in monitoring pointed out by audit in future.

(b) *Financial Assistance to Cultural Associations/Institutions for construction of cultural bhavans*

The scheme provides financial assistance to Cultural Associations/Institutions established only for the purpose of art, literary and cultural activities for

³⁹ Alur Venkatarao Rastriya Memorial Trust, Dharwad.

setting up cultural bhavans. Constitution of a committee for sanctioning the assistance has not been defined in the guidelines of the scheme. Hence the Department itself sanctioned the assistance. We observed that most of the norms in the scheme were violated while sanctioning financial assistance.

During 2011-12 to 2017-18, a total of 1,094 grantees were sanctioned ₹131.32 crore. In the test-checked 10 districts, out of 532 cases involving ₹67.64 crore we observed the following:

- (i) As per the scheme guidelines, financial assistance is not to be extended for institutions conducting activities other than cultural activities viz., yoga, meditation, education and religious matters. However, we observed that in 53 cases, financial assistance of ₹13.33 crore (in excess of stipulated amount of ₹20 lakh in each case) was extended to yoga, educational and religious institutions.
- (ii) The institute seeking financial assistance should have completed three years from the date of its registration. However, in one case we observed that the Department had extended (March 2018) financial assistance of ₹60 lakh even though the institute had not completed three years after its registration (August 2015).
- (iii) The applications were to be accompanied with registration certificate or renewal certificate, bye-laws of the institute, audited statements of accounts of the previous years, details of activities undertaken by the institute, land documents such as rights and transfer certificate, pahani patra, encumbrance certificate, estimates, building plan *etc.* In 28 cases, we observed that though the institutes had not submitted all the requisite documents, financial assistance amounting to ₹9.97 crore (**Appendix-3.6**) was released to them.
- (iv) The guidelines prescribe that cultural bhavans are to be constructed in places which are accessible and convenient to the public. We observed that financial assistance of ₹1.25 crore was released for construction of Mylara Mahadevappa Cultural Bhavan in Haveri district next to an existing graveyard which is approximately four kms from the town. As a result, except for conducting the anniversary of Mylara Mahadevappa, the cultural bhavan remained unused.
- (v) The maximum financial assistance for an institute for construction of cultural bhavan as prescribed in the guidelines was ₹20 lakh. We, however, observed that in 20 cases, the Department had extended financial assistance in excess of the maximum limit as detailed in **Appendix-3.7**. This was indicative of its imprudent financial management.
- (vi) The guidelines stipulate that assistance is to be extended for construction of cultural bhavans and not for any other purpose. However, in eight cases, the Department extended assistance for construction of marriage halls, auditoriums. Besides financial assistance was extended for construction of toilets, renovation of temples, providing drinking water, drilling bore wells, purchase of site *etc.*, in temple premises. The total assistance extended by the Department in respect of these cases worked out to ₹6.92 crore (**Appendix-3.8**).

- (vii) The scheme guidelines do not specify that the institution should receive financial assistance only from one department/authority. As a result, in ten cases, we noticed that the institutions had availed financial assistance from the Department (₹3.33 crore) as well as from other departments (₹5.75 crore) (**Appendix-3.9**). Hence there could be conflict between the objectives of department for extending financial assistance.
- (viii) The construction of cultural bhavans is to commence within 90 days and is to be completed within one year from the date of release of grants. In case of delay, the Department had to withdraw the sanction of assistance. However, we noticed that in seven cases (**Appendix-3.10**), though 74 to 340 months had elapsed since one year of the release of funds, the construction was yet to be completed. As a result, there was escalation in the cost of construction of cultural bhavans. However, the Department had not taken any action to withdraw the sanctioned assistance.
- (ix) The guidelines specify that a report on the activities conducted in each cultural bhavan were to be submitted to the Assistant Director at the District every year by the end of March. However, we observed that no such records were maintained at the District level and also in the cultural bhavans visited by Audit. Hence audit could not ensure the utilisation of the cultural bhavans for the purpose for which they were constructed.
- (x) Audit conducted joint physical verification of 174 cultural bhavans in 10 test-checked districts along with the staff of the Department. The Department had released ₹26.44 crore towards its construction. During joint physical verification, we observed that out of 174 cultural bhavans, 22 cultural bhavans were under construction and another 22 bhavans were only constructed as specified in the guidelines and utilised. The observations of audit in respect of balance 130 cultural bhavans are as follows:
- Though ₹3.49 crore was released for construction of 32 cultural bhavans, ₹60.33 lakh was utilised for construction of eight residential houses, ₹60 lakh for construction of three marriage halls, ₹74 lakh for construction of four indoor stadium and commercial purposes and ₹1.55 crore for other purposes such as store rooms, office rooms, etc.

		
Marata Cultural Bhavan, Mallikawada, Chikkodi Taluk, Belagavi district	Sri Channabasava Pattadeva Memorial Trust, Bhalki, Bidar District	Kittur Rani Chennamma Residential School, Kittur, Bailahongala Taluk, Belagavi district

- In respect of location, while 48 cultural bhavans constructed at a cost of ₹4.68 crore was in religious premises, two cultural bhavans constructed at cost of ₹60 lakh were in inaccessible location. Further, eight cultural

bhavans which were extended with assistance of ₹55.64 lakh was not located in places indicated in the applications.

- Twenty-six cultural bhavans were constructed in first floor instead of ground floor as stipulated in the guidelines,
- While six cultural bhavans constructed at a cost of ₹75 lakh were not maintained, eight cultural bhavans constructed at cost of ₹2.34 crore were lying idle and therefore, encroachment and miscreant activities cannot be ruled out.

Thus, the above observations clearly indicated that there were lapses in framing guidelines and also in monitoring of utilisation of funds. This resulted in utilisation of financial assistance for activities not related to promoting art and culture. Besides, non-utilisation of cultural bhavans for the intended purpose led to non-achievement of objective of propagating cultural activities in these cultural bhavans.

Government replied (December 2018) that all the Assistant Directors of the Districts have been addressed to furnish information on mis-utilisation of assistance. Further it has been informed that a circular with regard to maintenance and monitoring of Rangamandiras and Cultural bhavans would be issued. In addition, it has been stated that action would be initiated to avoid the lapses noticed during audit, in future.

(c) Pension scheme for artists/litterateurs

In accordance with Appendix 10 of the Government Order (September 2015), the artists and litterateurs who have contributed 25 years of service in the field of drama, music, folk arts, yakshagana, fine arts, literature *etc.*, and have attained 58 years of age are eligible for monthly pension of ₹1,500. The annual income of the pensioners should not exceed ₹40,000 for rural areas and ₹50,000 for urban areas. The artists drawing pension under any other schemes implemented by other departments are not eligible for pension under the said scheme. Further, as per the guidelines, the Assistant Director after scrutiny of the applications received, sends the applications to the Academy⁴⁰ concerned with his recommendations. The Assistant Director has to maintain copies of all such applications forwarded to the Academies and also has to issue an endorsement to the applicant. The Academies after scrutiny and interview of the applicant if required, sends the applications with their recommendations to the Department for further action.

We observed that there was no database of the artists and litterateurs who were eligible for pension. There were also no details of pension applications received by the Assistant Directors or applications forwarded to the Academies concerned which was in contrary to the guidelines. Further, details of pensioners drawing pensions in the district under the scheme, *etc.*, were not maintained in the District offices. The Academies (except Sahitya Academy) also had not maintained any database on applications received, applications forwarded to the Standing Committee with recommendations, date of forwarding applications,

⁴⁰ Academies such as Lalitha Kala Academy, Yakshagana Academy, Sahithya Academy *etc.*, to which the artists belonged.

applications rejected, *etc.* In the absence of such information, audit could not comment on the fruitfulness of the scheme. As per information furnished by the department, during 2013-14 to 2017-18, 5,527 artists/litterateurs were sanctioned pensions. The expenditure towards pension during the said period was ₹79.36 crore. Thus, due to non-availability of database on the pensioners, the veracity of the expenditure incurred on the pension scheme remain unascertained.

Further, from the records available, we observed that the pensions to artists were sanctioned only thrice⁴¹ in these five years, despite the fact that there were no delay on the part of the pensioners in submitting their applications for pension periodically. This indicated that no system existed in the Department to sanction pension periodically and the artists were deprived of financial assistance due to them. This could discourage artists/literatures whose income was minimal to pursue their service in the field of art and literature. Out of ₹86.73 crore sanctioned during 2013-14 to 2017-18 for release of pension, an amount of ₹79.36 crore was spent leaving a balance of ₹7.37 crore.

Government stated (December 2018) that action would be initiated for timely sanction of pension for artists/literatures.

(d) *Sale of Kannada books printed by Department*

Books printed through the Directorate office, Kannada Book Authority and Kuvempu Basha Bharathi Authority are supplied to the Assistant Director's office for its sale. In the 10 test-checked districts, we observed that no registers were maintained to indicate the number of books received, books sold, closing stock, value of closing stock *etc.* Besides, no physical verification of stock was conducted in nine out of the 10 test-checked districts. In Mandya district, we observed that books were dumped in a rented house. In addition, during joint physical verification, we also observed that 5,108 Rig Veda volumes valued at ₹12.91 lakh, 320 copies of Kumara Vyasa Bharatha valued at ₹5.76 lakh and 2,500 copies Punaravalokana valued at ₹7.50 lakh remaining unsold were dumped in all the district stores. No action was initiated by the Department to push the sales or distribute the books to Libraries, Universities, Colleges *etc.*, where books are well taken care of. Thus, the books printed could not reach the readers.



Books dumped in a rented house at Mandya

Government stated (December 2018) that there were shortage of staff and action would be initiated to set right the lapses noticed in audit.

⁴¹ 1 January 2013 (1,600 cases); 1 September 2015 (3,527 cases) and 1 January 2018 (2,000 cases).

(e) Digitisation of books

Digitisation means creating digital surrogates of books, which offers a variety of benefits, including increasing access, especially for patrons at a distance; contributing to collection development, through collaborative initiatives; enhancing the potential for research and education; and supporting preservation activities. Another major advantage of digitisation is that there is no physical limit for its storage capacity.

The Department initiated the process of digitisation and allotted ₹2.50 crore during December 2016. However, no targets were fixed or monitoring mechanism put in place. The department had not utilised the allocated ₹2.50 crore. As of July 2018, only 808 books with (2.01 lakh pages) were digitised and uploaded.

Thus, it was evident that process of digitisation was very slow despite availability of funds which indicated least priority bestowed on the concept of digitisation. As a result, benefits of digitisation of Kannada books did not reach the interested readers throughout the world and also could not be preserved for future generation.

Government stated (December 2018) that action would be initiated in this regard.

3.1.3.4 Working of Authorities, Academies, Parishaths, etc., under the Department

Karnataka Sahitya Parishath (KSP) was established (1915) to promote Kannada language through publishing of books, organising literary seminars and to promote research projects. Similarly, to preserve and present Karnataka’s folk heritage across the State, Karnataka Janapada Parishath (KJP) was established in 1979. With a view to make available good books for readers across the State, Karnataka Book Authority (KBA) was established in 1993. The Karnataka Border Area Development Authority (KBADA) was formed (April 2010) for the development of border areas of Karnataka and for monitoring and evaluating the implementation of projects and programmes related to the development of the border areas of Karnataka (Andhra Pradesh, Kerala, Maharashtra, Tamilnadu and Telangana).

The details of grants released to the above Authorities and Parishaths during 2013-14 to 2017-18 and expenditure incurred there against are indicated in the **Table-3.3**.

Table-3.3: Grants released and expenditure incurred during 2013-2018

(₹ in crore)

Particulars	Opening balance	Total Grants Released	Total	Total expenditure incurred	Closing balance	Remarks
Kannada Sahitya Parishat	3.34	35.37	38.71	31.72	6.99	Unspent amount of ₹4.19 crore of All India Kannada Sahitya Sammelanas conducted during the period 1997 to 2016 was kept in fixed deposits without being utilised for creation of fixed assets as per Bye-laws,

Particulars	Opening balance	Total Grants Released	Total	Total expenditure incurred	Closing balance	Remarks
Academies	6.09	80.62	86.71	70.15	16.56	Yearly audit of accounts of the academies was not being conducted regularly and funds were being released to these academies despite non-compliance to norms framed as per Bye-laws and academies were also not following KTPP rules while making purchases, printing of books, etc.
Kannada Book Authority	1.20	8.66	9.86	6.60	3.26	KBA had not submitted utilisation certificates and certified accounts since its inception in 1993 despite incurring expenditure of ₹24.62 crore.
Rangayana	1.97	41.56	43.53	32.47	11.06	Funds released for Talent search – children (₹3.00 crore), SCP/TSP funds (₹3.50 crore) and ₹92.21 lakh out of ₹3.24 crore for conducting janapada jatre were kept in bank account without being utilised for the intended purposes.
KBADA	0.56	105.07	105.63	103.74	1.89	As per the Bye-laws, at least one meeting in two months, i.e., six meeting per year is to be conducted. However, for the period 2013-14 to 2017-18 only 12 meetings were conducted as against the scheduled 30 meetings to be conducted. KBADA stated that since there were no sufficient subjects to be discussed meetings were not conducted.
Art Integration College, Kalaburagi		5.24				Extended grants for salaries though the role of the Department was to extend assistance for promotion of art and culture.

Source: Information furnished by the Department

The observations on the working of the above Parishaths and Authorities are as follows:

Karnataka Border Area Development Authority:

- As per the sanction orders issued by the Department, the KBADA had to furnish utilisation certificates for the grants sanctioned and released. However, we observed that though utilisation certificates were not submitted by the KBADA for the previous years, grants for subsequent years were released by the Department which indicated that there existed no monitoring mechanism to ensure utilisation of grants released.
- KBADA had released ₹53.28 crore to 558 institutions for construction of cultural bhavans, class rooms, libraries etc. During joint inspection of 130 constructions (₹13.67 crore) by the audit team along with the staff of the Department, it was observed that grants released for construction of cultural bhavans, class rooms, computer rooms, toilets, purchase of computer, etc., in respect of 59 cases were used for other purposes viz., construction of residence, hostels, etc.

- The KBADA Act, 2010 empowered KBADA to supervise the facilities required for drinking water, health, agriculture, irrigation, road and for other development works in the villages in the border area to be provided through the concerned departments. However, contrary to the above provision, we observed that out of ₹80.74 crore expended, ₹20.97 crore was incurred towards road works and drinking water. Hence, KBADA instead of supervising the works being implemented through the concerned department, utilised its own funds in the border areas of Karnataka for the works.

In view of the above observations *i.e.*, use of own funds for purposes not covered under KBADA Act, 2010, failure to submit utilisation certificates, we can conclude that the KBADA was not able to line up to the purpose for which it was established *i.e.*, to develop people in the border areas in all shears of life.

Kannada Sahitya Parishat:

- With a view to conduct literary activities, Government envisaged (December 2009) construction of Sahitya bhavan through Kannada Sahitya Parishat. Government allotted land in the city of Belagavi for the construction of Sahitya bhavan and it spent ₹33.14 lakh to construct. In addition to the above, Department released funds for construction of another Sahithya Bhavan at Belagavi at a cost of ₹3 crore. The said Bhavan was partially completed and an advertisement calling for letting out for commercial use was called for (May 2018). Hence the objective of construction of Sahitya Bhavan *i.e.*, to organise literary seminars was defeated. Furthermore, this is indicative of the fact that the construction of the additional Sahitya Bhavan was not at all required leading to the entire amount of ₹3 crore unfruitful.

Kannada Book Authority:

- One of the objectives of KBA was to publish select books in Kannada for assistance to the Kannada book publishing industry and distribute the books to all government and private schools and colleges in the State. Despite availability of funds (₹2.66 crore), the scheme was not implemented during 2014-15 and 2015-16. Though the same was included in the action plan for the years 2016-17 and 2017-18, no action was initiated.
- Further, in order to make good books available to readers in Karnataka and outside the State, KBA established (September 2015) 'Siriganda Pustaka Malige' in 18 districts in the State and in two places outside the State. During 2015 to 2018, against the stock of books worth ₹11.92 lakh in these outlets, only books worth ₹2.42 lakh were sold. However, the KBA had not initiated any steps to assess the reasons for lower sales or take any innovative action such as publicity through media to increase the interest of the readers/sales *etc.*

Hence, the KBA could not achieve its main objective of increasing readership and providing good books at affordable rates to the people.

Rangayana:

- The funds released (₹7.42 crore) during 2013-18 towards talents search in children and for conducting janapada jatre remained unutilised thereby defeating the purpose for which it was released *i.e.*, identifying various talents in children, reviving folklores of villages, *etc.*

Thus, from the above observations on authorities/parishats, we can conclude that though grants were released by the Department to these authorities/parishats, there was no monitoring mechanism for its utilisation. In addition, the objective of establishing these authorities/parishats were also not achieved.

Government stated (December 2018) that audit observations would be brought to the notice of KBADA. Further, it stated that action would be taken to increase the sales in Siriganda Pustaka Malige.

3.1.4 Conclusion

The main objective of Kannada and Culture Department is development of Kannada and promotion of culture. Though the Department has brought out a Cultural Policy after around 42 years of its existence, an action plan needs to be framed in order to implement the recommendations in the Policy. Further, ineffective action of the State in obtaining required infrastructure resulted in non-establishment of a dedicated Centre of Excellence for studies in Classical Kannada in Bengaluru. Consequently, utilisation of the GoI grants was in a slow pace. In addition, though the Government framed various schemes/programmes to promote culture by encouraging/honouring individuals/institutions, the objective was not achieved due to lapses in guidelines and also due to non-compliance to the existing guidelines which resulted in assistance being released to ineligible institutions/trusts and non-utilisation of assistance for the purpose for which it was released. During 2013-14 to 2017-18, part of the grants released to various Authorities, Academies, Parishaths and Rangayanas functioning under the Department for promotion of Kannada and Culture remained un-utilised and outside Government Accounts which once again indicated lapses in monitoring of utilisation of grants. Thus, even though Government released huge amounts for promotion and propagation of Kannada and Culture, the objective of the Department was not achieved to a substantial extent.

Government stated (December 2018) as follows:

- Action would be initiated to avoid the lapses indicated during Audit in future.
- Schemes would be implemented with compliance to guidelines.
- Action would be taken to achieve the objectives of the Department.

Department of Social Welfare

3.2 Thematic audit on Construction and maintenance of hostels for Scheduled Caste students

3.2.1 Introduction

The Constitution of India provides certain special Constitutional safeguards for the welfare of Scheduled Castes (SCs) and Scheduled Tribes (STs) and other weaker sections of the population, so that they could take their rightful place in the community.

In order to extend good facilities to the students and to discourage dropouts and also to educate and empower SC boys and girls, the Social Welfare (SW) department, Government of Karnataka, is running 1,231 pre-matric and 636 post-matric hostels throughout the State with a capacity to accommodate 1,56,130 students. During the year 2018-19, the number of students admitted stood at 1,59,054. The construction/repairs of hostels are entrusted to Nirmithi Kendra⁴² (NK), Karnataka Rural Infrastructure Development Limited⁴³ (KRIDL) and Karnataka Residential Educational Institutions Society⁴⁴ (KREIS).

3.2.2 Organisational setup

The administrative setup of the SW department comprises three levels – State, District and Taluk.

Additional Chief Secretary to Government (ACS) <i>Overall in-charge for implementation of all Schemes of the Social Welfare Department in the State</i>		
State level Commissioner of Social Welfare	District level Joint Director (JD) / Deputy Director (DD)	Taluk level Assistant Director (AD)
<i>Implementation and monitoring of all the Schemes at the State Level</i>	<i>Responsible for overall monitoring at the District level</i>	<i>Responsible for overall monitoring at the Taluk level</i>

3.2.3 Audit objectives

The compliance audit was conducted to ascertain whether:

- planning and implementation of construction and maintenance of hostels were in compliance with applicable rules/orders/circulars;

⁴² Nirmithi Kendras are technology transfer centres established (November 1988) by the State Government to take up training of masons, carpenters, and artisans and develop low cost technology alternatives. They shall also take up monitoring of low cost housing.

⁴³ A Government of Karnataka Undertaking involved in civil engineering construction and creation of assets in the State. It was established in 1971 and was earlier known as Karnataka Land Army Corporation.

⁴⁴ KREIS was established (October 1999) to establish, maintain, control, and manage residential educational institutions in the State.

- general principles governing sound financial management were complied with at various stages of implementation; and
- the department established a monitoring mechanism to ensure compliance to relevant rules during implementation and took suitable action in case of violation of rules.

3.2.4 Audit criteria

The following were the sources of audit criteria for the compliance audit:

- Karnataka Transparency in Public Procurement (KTPP) Act and Rules;
- Babu Jagjivan Ram Chhatrawas Yojana guidelines;
- Central Vigilance Commission guidelines (July 2007);
- Government Orders/Circulars issued from time to time;
- Departmental instructions, circulars and manuals, if any;
- The Karnataka Financial Code;
- Approved model plan for hostel buildings; and
- Byelaws, rules and regulations of the implementing agencies.

3.2.5 Audit scope and methodology

The compliance audit was conducted from May to August 2018 covering the period 2013-14 to 2017-18. Records of the Commissionerate, KREIS, 8 district offices and 16 taluk offices selected through statistical sampling method of “probability proportional to size without replacement” with expenditure on construction of hostel buildings for the period 2013-14 to 2017-18 as size measure were test-checked. The list of selected offices is indicated in **Appendix-3.11**.

There are 673 hostels in 42 taluks of eight selected districts. Audit test-checked the records relating to 190 hostels existing in 16 test-checked taluks and conducted a joint physical verification (JPV) of 72 of these 190 hostels along with the officials of the SW department and the findings noticed thereon are brought out in this report.

An entry meeting was held (6 April 2018) with ACS to discuss the audit objectives, scope and methodology. The results of the audit were discussed with the Principal Secretary, SW department on 27 December 2018. Replies received (January 2019) from the State Government are duly incorporated.

3.2.6 Past audit and recommendations of the Public Accounts Committee

A performance audit (PA) on the functioning of KREIS conducted during February to August 2013 covering the period 2008-09 to 2012-13 was included in the Report of the Comptroller and Auditor General of India, General and Social Sector Audit, Government of Karnataka (Para 2.1 of Report No.3 of 2014). The PA was discussed by the Public Accounts Committee (PAC) and

the report containing the recommendations was placed before the Legislature on 27 March 2017. Compliance to the recommendations in so far as they relate to KREIS have been verified and observations noticed thereon are incorporated wherever relevant.

3.2.7 Acknowledgement

Audit acknowledges the cooperation extended by the officers and staff of the Social Welfare Department in conducting the compliance audit.

Audit findings

The inability to provide hostels with facilities such as cots, mattresses, toilets/bathrooms, *etc.*, to the SC students could be attributed to lack of planning/prioritisation in establishing the hostels, non-execution of works, delays in completion of works, *etc.*, as detailed in the succeeding paragraphs.

3.2.8 Planning

Planning is the most important step to achieve the defined objectives and optimum utilisation of available resources. The planning process (1) identifies the goals or objectives to be achieved, (2) formulates strategies to achieve them, (3) provides the means required, and (4) implements, directs, and monitors all steps in their proper sequence.

3.2.8.1 Non-formulation of guidelines for construction of Government hostels

Establishing a hostel required compliance to criteria⁴⁵ such as (i) High concentration of SC population and low literacy among SCs in the area, (ii) Inadequate hostel facilities in the area, (iii) Adequate availability of school going SC children, (iv) Adequate number of educational institutions, and (v) Good accessibility and safety of girl students.

The Handbook on hostel maintenance of the SW department prescribed the format for submission of proposals for establishing the hostels which *inter alia* considered the factors such as number of educational institutions existing in the surrounding areas, number of SC students studying in these institutions, the distance of the institutions from the proposed place, *etc.*

Audit, however, did not come across submission of the proposals from the records produced by the test-checked districts/taluks. The Commissioner also did not make available the proposals received from the districts/taluks in respect of the test-checked hostels to audit. In the absence of the records, audit could not ascertain the sufficiency or otherwise of fulfilment of the requirements for establishing the hostels in the test-checked taluks and whether the hostels established were actually need based.

⁴⁵ General guidelines of the Ministry of Social Justice and Empowerment, Government of India.

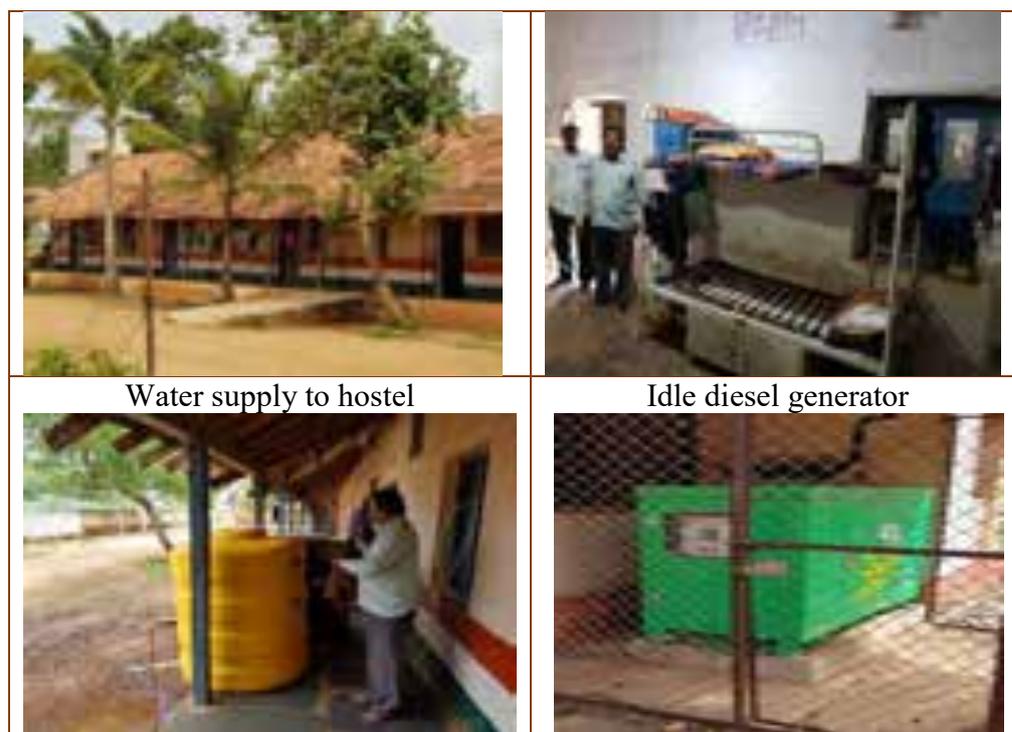
Scrutiny of the records and joint physical verification revealed the following instances of improper planning/prioritisation for establishment of hostels.

(i) Non-construction of Pre-matric boys' hostel, Byadgi taluk, Haveri district

The pre-matric hostel established during 1962-63 was functioning in its own building. As the building was declared (June 2017) unfit for occupation by the Public Works Department, the hostel with 108 inmates was relocated to the first floor of the post-matric hostel building during 2017-18. It was later relocated during 2018-19 to the premises of the old Karnataka Model Primary School (KMPS), Byadgi Town as the post-matric hostel could not provide space due to admission of more number of post-matric students.

We observed that the AD, SW, Byadgi requested (June 2017) the DD, SW, Byadgi to demolish the old hostel building and construct a new one in its place. However, the DD has not initiated any action so far. Joint physical verification (July 2018) with the department staff showed that the existing space was not conducive for the hostel and was insufficient to accommodate all the inmates (**Exhibit-3.1**). The Diesel generator of 7.5 KVA capacity installed in the old hostel building was lying idle from June 2017 onwards. No action was taken to relocate the generator to needy hostels.

Exhibit-3.1: Existing hostel functioning in an old KMPS, Byadgi Town (26.07.2018)



We also observed that construction of new library cum computer laboratory was in progress within the campus of the old hostel building. The Commissioner, SW department had approved and entrusted (June 2017) the construction to NK and released ₹80.01 lakh. Since the old hostel building needs to be demolished and the fact that demolition and construction work take longer time, the possibility of utilisation of the new library cum laboratory on completion

appears to be bleak. The above instance indicates lack of proper planning by the department.

The State Government replied (January 2019) that the proposal for demolition of the existing building and construction of new building was received from the district only during August 2018 and action would be taken against the district authorities after seeking necessary explanation for the delayed attitude. It further stated that till such time the building is constructed and the inmates relocated to the new building, arrangements would be made to facilitate the use of library cum laboratory by the inmates of the post-matric hostel located in Byadgi town.

The reply is not convincing. A separate library cum laboratory was being constructed for post-matric students and the distance between post-matric hostel and pre-matric hostel premises is more than 2 km. Thus the issue of providing suitable hostel facilities to pre-matric students was not given adequate priority.

(ii) Pre-matric boys' hostel, Betagera, Basavakalyan Taluk, Bidar district – Incomplete work

SW department entrusted (2010-11) the work of construction of pre-matric boys' hostel building (50 strength) at Betagera, estimated to cost ₹92.00 lakh to KRIDL, Humnabad and released ₹20.00 lakh during the years 2010-11 and 2011-12. The stipulated period of construction was 11 months including monsoon period. KRIDL had incurred expenditure of ₹25.00 lakh as of July 2012 and thereafter stopped the work as no further instalments were released by SW department.

We observed during joint physical verification of work site that the agency had completed the work up to the basement level and provided steel rods for columns. A portion of the basement had developed cracks and the steel rods were rusted resulting in weak structure (**Exhibit-3.2**). Thus, the hostel building remained incomplete even after lapse of six years, rendering the expenditure unfruitful.

Exhibit-3.2: Incomplete pre-matric boys' hostel building, Betagera (04.07.2018)



The AD, SW, Basavakalyan stated (July 2018) that the work was stopped due to shortage of funds. He further stated that the matter was taken up with DD, SW, Bidar and action would be taken to complete the work at the earliest.

The State Government replied (January 2019) that the work could not be completed due to shortage of grants with ZP. The revised estimate for ₹124.42 lakh was received from the district for approval and is under process. This indicates lack of financial commitment. Further, the circumstances under which construction was taken up without ensuring fund availability as well as the implications of non-availability of hostel facility for a period of six years need to be examined.

As these are only illustrative cases, the State Government may examine similar cases in other districts and accord priority for establishment of hostels.

Further, the State Government had not brought out any guidelines for construction of hostels. The status of SC hostels as at the end of August 2018 is given in **Table-3.4**.

Table-3.4: Status of SC hostels as at the end of August 2018

Sl. No.	Type	State				Test-checked districts			
		Total	Own building	Rent free	Rented	Total	Own building	Rent free	Rented
1	Pre-matric	1,231	1,138	07	86	448	408	0	40
2	Post-matric	636	324	53	259	225	112	10	103
	Total	1,867	1,462	60	345	673	520	10	143

Source: Information furnished by the Commissioner, SW department

As can be seen from the above table, 18 *per cent* of the hostels in the State and 21 *per cent* in test-checked districts are functioning in rented building. The extent of post-matric hostels functioning in rented building was higher in comparison with pre-matric hostels. Further, out of 190 SC hostels in the test-checked taluks, 45 hostels (24 *per cent*) were functioning in rented buildings. As these rented buildings are not built to run hostels, there was lack of certain basic amenities like sufficient number of toilets/bathrooms, dining hall *etc.*, as noticed during joint physical verification.

The Commissioner, SW department accepted (October 2018) that no guidelines were formulated for construction of Government hostels and construction of hostels was being done as per the model plan. He also stated that during the last five years' more number of post-matric hostels were sanctioned and they were functioning in rented buildings.

3.2.8.2 Utilisation of hostels

As indicated in the introductory paragraph, the number of students accommodated in the hostels in the State exceeded the envisaged capacity. This was because the State Government directed (July 2013) the SW department to accommodate all SC students who have sought admission for the hostels, irrespective of the sanctioned strength of the hostels.

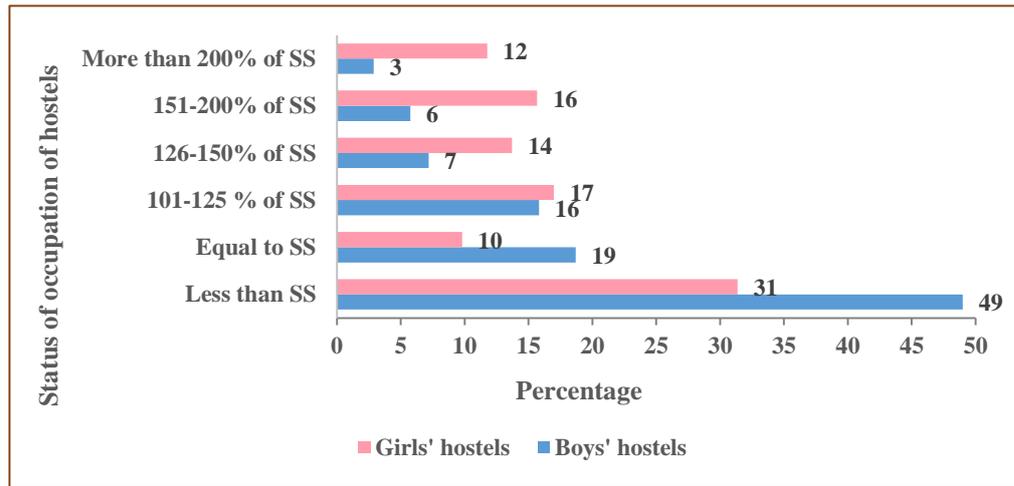
The status of occupation of 190 test-checked (139 boys' and 51 girls') hostels in comparison with the sanctioned strength during 2017-18 is given in **Appendix-3.12**.

Scrutiny showed that out of 190 test-checked SC hostels in 16 taluks, 74 hostels (39 *per cent*) were accommodating more students than the capacity. In 10 hostels, the crowding was to the extent of more than 100 *per cent*. On the other

hand, 85 hostels (45 per cent) of the hostels were under-utilised. In 18 hostels, the extent of under-utilisation was less than 10 per cent and in 30 hostels, it ranged between 12 to 25 per cent. While the extent of under-utilisation in 26 hostels ranged between 26 to 50 per cent, it was 53 to 83 per cent in the balance 11 hostels.

A comparison between boys' and girls' hostels showed that crowding was more in girls' hostels as depicted in **Chart-3.2**. Hostel-wise details are given in **Appendix-3.13**.

Chart-3.2: Status of occupation of test-checked hostels (2017-18)



We also observed that the department had not initiated any action to transfer the excess inmates in over-utilised hostels to other under-utilised hostels located in the same town. A few illustrative cases are given below:

- (i) The post-matric girls' hostel in Madhugiri town was accommodating between 135-215 inmates as against the sanctioned strength of 87 during the period 2013-14 to 2017-18. The new hostel constructed in the same town for post-matric girls that was functioning from the year 2017-18 had only 27 inmates against the sanctioned strength of 100.
- (ii) The post-matric boys' hostel-1 in Madhugiri town had occupation below the sanctioned strength throughout the audit period whereas, the post-matric boys' hostel-2 in the same town had excess occupancy during the same period.
- (iii) The post-matric boys' hostel in Holalkere town had occupancy between 123-225 inmates as against the sanctioned strength of 100. The new hostel in the same town, which started functioning from 2017-18 had 56 inmates against 90.

The over-utilisation had implications for the quality of facilities provided to the students and under-utilisation implied wastage of resources as detailed in Paragraph 3.2.11.

The State Government stated (January 2019) that the earlier order of July 2013 has been modified and has directed (August 2018) the department to redistribute the students as per the sanctioned strength.

3.2.9 Entrustment/Procurement on nomination basis

The SW department entrusted the work of construction of new hostel buildings and work of repairs/renovation to NK, KRIDL and KREIS during the period 2013-14 to 2017-18. KREIS was entrusted with the construction of new hostel buildings as it was following the process of inviting tenders for construction works undertaken by it. NK and KRIDL were entrusted with construction as well as repairs/renovation works.

3.2.9.1 Entrustment under clause 4(g) of the KTPP Act

(a) The Central Vigilance Commission (CVC) guidelines (July 2007), while referring to a Supreme Court of India judgment⁴⁶, stipulated that tendering process or public auction is a basic requirement for award of contract by any Government agency as any other method, especially award of contract on nomination basis would amount to a breach of Article 14 of the Constitution guaranteeing right to equality, which implies right to equality to all interested parties. The said guidelines also stipulated a departure from the aforementioned rule only in exceptional cases⁴⁷ where a Government Contract may be awarded on a nomination basis.

The SW department, in violation of the aforementioned CVC guidelines, entrusted works to NK and KRIDL on nomination basis, without following the procedure of open tender. None of these cases was exceptional case as per the CVC guidelines.

The entrustment to NK and KRIDL was based on the exemption provided by the State Government under clause 4(g)⁴⁸ of the KTPP Act for direct entrustment of construction works not exceeding ₹2.00 crore to KRIDL and for direct entrustment of various departmental works, involving environment friendly or low-cost building technology or innovative building materials or pre-cast technology to NKs. The works to be entrusted shall not exceed ₹2.00 crore.

We observed that in violation of the above notification, the Commissioner, SW department entrusted three works during 2014-15 to NK, the estimated cost of which exceeded ₹2.00 crore.

We also observed that these agencies were preparing the estimates and according technical sanctions themselves. The Government/SW department did not have any role in technical scrutiny. This procedure leads to conflict of interest and needs to be reviewed.

⁴⁶ Nagar Nigam, Meerut vs. A1 Faheem Meat Export Private Limited (arising out of SLP (Civil) No. 10174 of 2006).

⁴⁷ During natural calamities and emergencies declared by the Government; where the procurement is possible from a single source only; where the supplier or contractor has exclusive rights in respect of goods or services and no reasonable alternative or substitute exists; where the auction was held on several days but there were no bidder or the bid offered was too low, etc.

⁴⁸ The provisions of Chapter II – Regulation of procurement shall not apply to procurement of goods and services in respect of specific procurements as may be notified by the Government from time to time.

In respect of 40 works that were entrusted to NK and KRIDL during the years 2015-16 and 2016-17, the estimated cost of construction ranged between ₹199.01 lakh to ₹199.99 lakh. The number of students who could be accommodated in these hostels ranged from 50 to 150 and the hostels were proposed in and around the same places within the taluk. In accordance with the instructions (September 2012) of the Commissioner, SW department, the estimated cost of construction of hostel for 30 students ranged from ₹161.89 lakh to ₹171.90 lakh between various circles. For 93 students' strength, it was ₹245.81 lakh to ₹264.65 lakh and for 156 students, it ranged from ₹331.62 lakh to ₹358.55 lakh. Hence, it was not clear to audit as to how the estimated cost could be more or less the same despite the varied strength. Evidently, the department resorted to direct entrustment under the pretext of 4(g) exemption by restricting the estimates to less than ₹2.00 crore.

Further, in all the cases of entrustment on nomination basis, no agreements were entered into with the construction agencies by the department. In the absence of agreements, the department had no mechanism to initiate action against these agencies for delays in completion of the works.

(b) Similarly, DD, SW, Chitradurga entrusted (January 2018) the work of supply and installation of 72 numbers of solar home lighting systems to Karnataka State Electronics Development Corporation Limited (KEONICS) under clause 4(g) of the KTPP Act, 1999 after approval (November 2017) of the Chief Executive Officer, Zilla Panchayat, Chitradurga and the district level purchase committee (December 2017). The DD, SW drew (March 2018) ₹99.47 lakh from the Treasury and paid (May 2018) the same to KEONICS.

Scrutiny of records showed that the firm was exempted under clause 4(g) for taking up Information Technology (IT) projects only. As supply and installation of solar home lighting systems does not fall under IT category, entrustment of the work to the firm was incorrect and violated the provisions of the KTPP Act, 1999.

Audit obtained unit rates from various sources and found that the rates paid to the firm were substantially high resulting in cost difference of ₹40.26 lakh as indicated in **Table-3.5**.

Table-3.5: Statement showing the variation in rates

(Amount in ₹)

Sl. No.	Name of the component	Quantity procured	Rate paid per unit	Actual market price per unit	Difference per unit	Total cost difference	Source from where unit rate obtained
1	SPV 200W	72	34,200	4,883*	29,317	21,10,824	e-mail from the manufacturer.
2	Battery 150 AH	72	26,000	11,550	14,450	10,40,400	MRP printed on product package
3	9 W LED DC Tube	432	2,000	400	1,600	6,91,200	On line prices of best available products
4	Charge Controller	72	6,050	3,500	2,550	1,83,600	
Total						40,26,024	

* Market price of SPV 150W adopted as the firm supplied SPV 150W instead of SPV 200W as noticed during JPV conducted (June/July 2018) with the department officers.

Source: Information furnished by department and rates obtained by audit from other sources

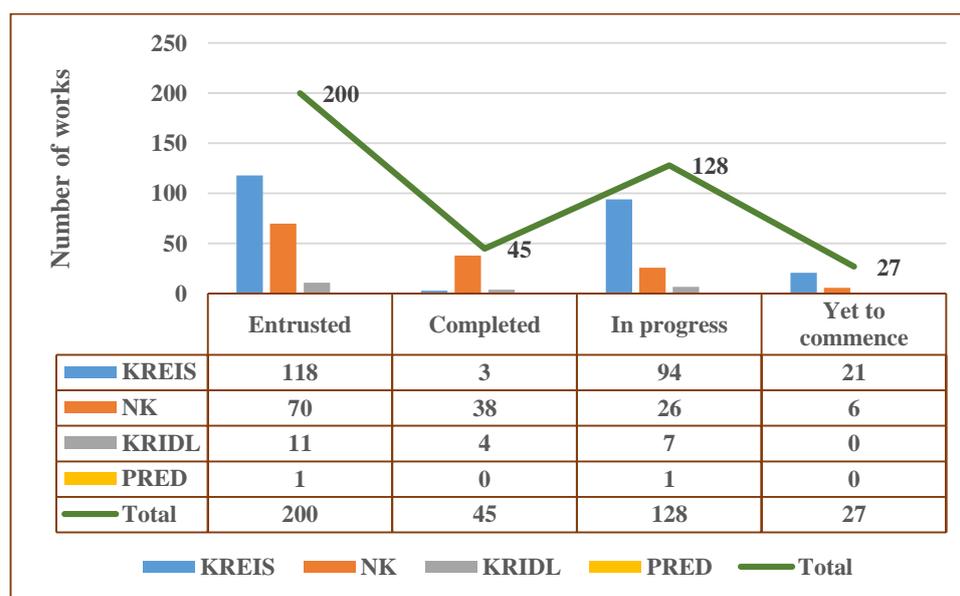
The JPV also showed that the firm had not handed over the copies of invoices and warranty card to the hostel authorities and the hostel authorities had not included these items in the stock register. The certificate of satisfactory receipt and installation of all items was not recorded by the Assistant Directors of taluks and wardens of hostels. Instead, a certificate signed by the hostel warden stating that the solar home lighting system was installed was forwarded to the DD. Consequently, payment was made without ensuring that the items supplied were as per the required specification.

Thus, approval of the CEO and district level purchase committee to entrust work without inviting tenders not only violated the guidelines of CVC but also resulted in the department not obtaining competitive rates and consequent excess expenditure.

3.2.9.2 Status of works entrusted to construction agencies

Out of 200 works taken up during the period 2013-14 to 2017-18, the State Government entrusted construction of 70 hostels (35 per cent) to NK and 118 hostels (59 per cent) to KREIS, 11 hostels to KRIDL and one work to Panchayat Raj Engineering Department. The agency-wise status of construction is depicted in **Chart 3.3**.

Chart 3.3: Agency-wise status of construction



As could be seen from the above chart, only 45 works (23 per cent) were completed, of which five works were completed on time and there was delay of 4 to 32 months in completion of the balance 40 works. The year-wise details of works sanctioned, completed and in progress is given in **Appendix-3.14**. Audit observed that the department took no action to expedite the construction.

3.2.9.3 Delay in commencement of works by construction agencies

We observed from the information furnished by the Commissioner and progress reports furnished by KREIS that there were delays in commencing the works by

the construction agencies from date of issue of work order/date of handing over of site during the period 2013-14 to 2017-18 as detailed in **Table-3.6**.

Table-3.6: Statement showing the delay in commencement of works

Sl. No.	Number of days of delay	No. of works		
		KREIS	NK*	KRIDL
1	> 30 ≤ 60	4	9	
2	> 60 ≤ 90	11	2	1
3	> 90 ≤ 120	12	2	
4	> 120 ≤ 180	17	4	
5	> 180 ≤ 240	4	6	
6	> 240 ≤ 300	8	1	
7	> 300	9	4	
	Total	65	28	1

* The information furnished by the Commissioner was inconsistent and incomplete. The delays have been worked out to the extent the information was complete.

Source: Information furnished by Commissioner, SW department and progress reports

It can be seen from the above table that KREIS and NK delayed commencement of work by more than six months in the case of 32 hostels proposed for accommodating 2,669 students. While the delays on the part of KREIS were attributed to delay in handing over site/non-availability of site at the time of commencement, reasons for delay on the part of NK were not evident from the records.

3.2.9.4 Non-execution of works due to non-availability of land

The provisions of Karnataka Public Works Departmental Code stipulate that no work should be entrusted for execution without ensuring the availability of the entire land required for the work. Further, as per the guidelines of the Centrally Sponsored Scheme – Babu Jagjivan Ram Chhatrawas Yojana, the State Governments shall send proposals to the GoI for establishment of hostels which *inter alia*, should specify the availability of land and attached proof of ownership and occupancy of land.

With reference to a similar observation (Paragraph 2.1.8.2 of the Report of the Comptroller and Auditor General of India on General and Social Sector Audit for the year ended 31 March 2013– Report No.3 of the year 2014, Government of Karnataka), the PAC recommended that the tender process for implementation of works should be taken up only after ascertaining the availability of site.

We observed from the scrutiny of records that the work of construction of 12 hostels estimated to cost ₹45.63 crore including one hostel under CSS were entrusted to NK and KREIS during the period 2013-14 to 2017-18 without ascertaining the availability of land. Consequently, the works were yet to be taken up. The details are indicated in **Appendix-3.15**.

Thus, the violation of guidelines and PAC recommendations resulted in non-execution of the works and consequent deprivation of facilities to the inmates.

The State Government stated (January 2019) that there were local disputes at the time of commencement of the works which led to delay in taking up the works. The reply clearly indicates that the department violated the statutory provisions as well as the recommendations of the PAC, of ensuring the availability of land free from all encumbrances before entrusting the work.

3.2.9.5 Construction of hostels under CSS – Babu Jagjivan Ram Chhatrawas Yojana

The scheme of construction of hostels for SC girls started from the 3rd five-year plan (1961-66) and for boys, it started with effect from the year 1989-90. GoI provides 100 *per cent* assistance to construct girls' hostels and 50 *per cent* assistance on matching share basis for construction of boys' hostels. The State Government was to ensure that they have clear ownership and occupancy status over the land where the hostels are to be constructed before forwarding the proposals to Ministry of Social Justice and Empowerment, GoI. The State Government was also to submit quarterly reports indicating both physical and financial progress till the completion of the hostels.

The State Government had submitted proposals for construction of four hostels under CSS during 2013-14 and two each for the years 2015-16, 2016-17 and 2017-18. GoI approved four proposals for the year 2013-14 and released (January 2014) ₹3.50 crore as first instalment. GoI was yet to approve the other six proposals (September 2018). The Department failed to draw the amount released by GoI in time and this resulted in non-utilisation of central assistance.

Audit observed that:

- In October 2017, the Commissioner, SW department entrusted the construction of four works proposed during 2013-14 to NK. NK did not commence the construction of these works as of August 2018 citing non-release of funds.
- The construction of two works proposed during 2015-16 was entrusted to NK in October 2017 without GoI approval. Of these, one was stated to be in progress and work on the other did not commence due to non-availability of site.
- The State Government neither accorded administrative approval nor ensured availability of sites before forwarding the proposal for construction of two hostels during the year 2016-17 to GOI. These works were yet to be entrusted.
- Both the works proposed during 2017-18 were entrusted (February 2018) to KREIS without obtaining the GoI approval. The works were yet to commence as of January 2019.

Thus, the State Government not only failed to utilise the available central assistance of ₹3.50 crore but also failed to obtain GoI approvals for the works proposed during the years 2015-16 to 2017-18. As a result, none of the works proposed under CSS could be completed during the audit period.

The State Government stated (January 2019) that the funds released by GoI for four approved works of 2013-14 were not released by the Finance Department so far and action was being taken to take up the works from out of the State funds. It further stated that two works each of 2015-16 and 2017-18 were under progress and action was being taken to undertake the works of 2016-17 from State funds. The reply was, however, silent on the non-receipt of the central assistance and the reasons for forwarding proposals without ensuring the availability of sites.

3.2.9.6 Repairs/renovations of hostels

The repairs/maintenance of hostels was taken up by the State Government out of its own funds. There were no norms for repair/renovation of hostels. During the period 2013-14 to 2017-18, the State Government took up 1,990 works of repairs/renovation estimated to cost ₹575.42 crore. The department did not furnish the status of the progress of the works for the period 2013-14 to 2015-16. The status of the progress of the repair works during the period 2016-17 to 2017-18 is given in **Table-3.7**.

Table-3.7: Status of repairs/renovations to hostels during 2013-14 to 2017-18

Year	No. of works sanctioned	Status of Repair/renovation work				Completed in per cent
		Completed	Work in progress	Yet to be started	Yet to be started due to non-release of funds	
2013-14	434	Audit called for the information during June 2018; it is not yet furnished by SW department (January 2019).				
2014-15	329					
2015-16	472					
2016-17	346	131	193	16	6	38
2017-18	409	101	183	123	2	25
Total	1,990	232	376	139	8	

Source: Information furnished by Commissioner, SW department

It could be seen from the above table that 376 works (50 per cent) out of 755 works taken up during the years 2016-17 and 2017-18 were under progress despite the fact that the stipulated time for completion of the works was six months from the date of issue of work order which was over in all these cases. No reasons were recorded for the delay in completion of the works.

The State Government stated (January 2019) that additional time was required to furnish the information for the years 2013-14 to 2015-16 as the same was called for from the districts. The reply indicates that there was absence of monitoring of the construction agencies by the department.

3.2.9.7 Incorrect reporting by construction agencies

The State Government entrusted the work of repairs/renovation of the hostels mainly to NK and KRIDL during the period 2013-14 to 2017-18. The progress report furnished by KRIDL/NK showed that the following works, for which the Commissioner released funds in full, were completed but JPV (May 2018 and July 2018) along with Wardens/officers revealed otherwise as indicated in **Table-3.8**.

Table-3.8: Statement showing the comparison of works as per progress report and JPV

(₹ in lakh)

Sl. No.	Name of the work	Estimated cost	Date of work order	Name of the agency	Status as per progress report	Status as per JPV
1	Water proofing of roof, ward robes, plumbing works and other works to post-matric girls' hostel, Sakleshpura	27.80	16.12.2017	KRIDL	Water proofing work completed and other works under progress	No such work taken up
2	Additional Rooms, Bath rooms, Toilets and other works to pre-matric boys' hostel, Hethur, Sakleshpura taluk	38.80	16.12.2013		All works have been completed	Plumbing work in bathrooms and toilets and laying of tiles was yet to be started.
3	Pre-matric boys' Hostel, Dombarmattur	14.75	1.12.2014	NK	Work executed and handed over to department	Gas pipe line work not completed
4	Pre-matric boys' Hostel, Savanur Town	17.50	1.12.2014			Gas pipeline work not completed. Water connection not provided to bathroom and toilets.
5	Pre-matric boys' Hostel, Huralikuppi	16.50	1.12.2014			Laying of tiles and Gas pipe line work not completed

Source: Progress reports of KRIDL/NK and Joint physical verification

In case of another seven repair/renovation works, the progress report of KRIDL (August 2018) cited non-execution of these works due to site problems. This could not be relied upon as the repair/renovation works pertained to existing hostels functioning in own buildings for which site problem would not arise.

The above instances clearly indicate incorrect reporting by the construction agencies and absence of monitoring by the department. Suitable deterrent action need to be taken against these agencies.

The State Government stated (January 2019) that three works of Haveri district have been completed and action would be taken to complete the two works of Hassan district at the earliest. It further stated that warning would be issued to the construction agency for incorrect reporting.

3.2.9.8 Lump sum release of funds to construction agencies without recovery of statutory deductions and further security deposit

The Commissioner at the time of according sanction for entrustment of works to NK and KRIDL directed the Joint Director/Assistant Directors to release the funds to the constructing agencies in stages depending on the progress of construction and after recovery of the statutory deductions along with Further Security Deposit (FSD) at five *per cent*. Further, Section 194 (C) of the IT Act, 1962, provides for recovery of income tax at two *per cent* of the contract price. However, the Commissioner in the same orders directed transfer of funds in full to the construction agencies through RTGS.

The Commissioner, SW department had released ₹743.21 crore to the construction agencies during the period 2013-14 to 2017-18. We observed that

the department released the funds in lump sum for all the works without effecting any recovery of the statutory deductions and FSD. The release of funds in lump sum thus, resulted in non-recovery of

- (i) Income tax of ₹14.86 crore (@ 2 per cent of ₹743.21 crore); and
- (ii) FSD of ₹37.16 crore (@ 5 per cent of ₹743.21 crore).

Hence, there was no control of the district and taluk level officers over these construction agencies.

The State Government stated (January 2019) that in accordance with the instructions (September 2018) of the Finance Department, TDS would be effected by the department only. The fact, however, remains that the department failed to deduct the statutory deductions at source as required and stipulated in its own orders.

3.2.9.9 Retention of funds by construction agencies

Scrutiny of the records of KRIDL showed that in eight cases pertaining to test-checked taluks, the construction agency had completed the works at a total cost of ₹4.48 crore as against the total estimated cost of ₹5.15 crore but failed to return the balance funds of ₹0.67 crore to the department as detailed in **Appendix-3.16**. The progress report furnished, however, indicated that the entire releases have been spent. In respect of NK, neither the department nor NK had furnished the records/information regarding the expenditure incurred on construction of works to audit for verification. Hence, we could not ascertain any retention of funds by it.

The State Government stated (January 2019) that necessary action would be initiated to take back the unutilised amount from the implementing agencies.

3.2.9.10 Locking up of funds with construction agencies

We observed from the scrutiny of the information furnished by Commissioner and progress reports furnished by KREIS and KRIDL that construction/repairs of few hostels could not be taken up due to land disputes, non-availability of sites, etc. The funds released to these agencies for these works were not returned to the department resulting in locking up of funds with the construction agencies. It is pertinent to mention here that the entire amount released to these agencies is treated as expenditure in the books of accounts of the State Government. An amount of ₹45.63 crore in respect of 12 construction works (as detailed in **Appendix-3.15**) and ₹2.07 crore in respect of 7 repairs/renovations works remained locked up with these agencies as at the end of August 2018. This practice of releasing the entire amount in advance carries risk of failure on the part of agencies to implement the work in a timely manner and hence, this needs to be reviewed.

The State Government stated (January 2019) that two works were under progress and action would be initiated to get back the amount for works that were yet to start along with interest. Thus, the department failed to effectively monitor the utilisation of funds.

3.2.9.11 Compliance to the provisions of Karnataka Transparency in Public Procurement Act, 1999 and Rules, 2000 and other instructions

➤ Invitation of short-term tenders

Rule 17 of KTPP Rules, 2000 specifies that the minimum time to be allowed for submission of tenders in excess of rupees two crore should be 60 days. Any reduction of the stipulated time was to be authorised by an authority superior to the Tender Inviting Authority for reasons to be recorded in writing.

In response to a similar observation (Paragraph 2.1.8.1(i) of the Report of the CAG on General and Social Sector Audit for the year ended 31 March 2013– Report No.3 of the year 2014, Government of Karnataka), the PAC recommended that the period of 60 days prescribed under the KTPP Act should be adhered to and reduction in time should be resorted to only under extreme circumstances.

Scrutiny of the records of KREIS showed that 119 e-tenders were invited for construction of Government pre/post-matric hostels for SC students during 2016-17 and 2017-18 and all these tenders except one tender were in excess of rupees two crore. We observed that the minimum time allowed for submission of tenders in 50 of these cases ranged from 7 to 58 days in violation of the KTPP Act and PAC recommendations. However, no reasons were recorded for inviting short-term tenders.

The State Government stated (January 2019) that in respect of eight works, the tenders were invited for the second and third time as there was no response for the first invitation and hence the time limit was reduced. The reply was silent about the remaining tenders.

➤ Delay in opening of financial bids

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

The PAC had also recommended that appropriate action should be taken to ensure that evaluation of the technical and financial bids be completed within 45 days as per the provisions of the KTPP Act.

We, however, observed that the time gap between the opening of the technical and financial bids ranged from 49 to 110 days in 46 cases.

The State Government stated (January 2019) that compliance to the statutory provisions would be ensured in future.

➤ *Award of contracts to a single contractor*

The criteria included in the tender documents for evaluating the tenders required the Tender Scrutiny Committee and the Tender Accepting Committee to check the aggregate of the qualifying criteria of the individual contracts and the Available Tender Capacity (ATC)⁴⁹, when the tenderer was the lowest for more than one contract. The contract was to be awarded if the tenderer satisfied the aggregate qualification criteria and had ATC more than the value of the tenders under consideration.

In response to a similar observation (Paragraph 2.1.8.1(iv) of the Report of the Comptroller and Auditor General of India on General and Social Sector Audit for the year ended 31 March 2013– Report No.3 of the year 2014, Government of Karnataka), the PAC recommended that KREIS prepare a suitable action plan to ensure that works are completed within the stipulated time besides initiating suitable action to address any shortcomings during implementation of the works.

Audit scrutiny of the records showed that where a single contractor had submitted tenders for more than one work, the tenders had been evaluated individually without considering the ATC of the tenderer. This resulted in award of greater number of works to a single contractor as detailed in **Appendix-3.17**.

Awarding several works in excess of the capacity of the contractors led to slippages and chronic delay in execution of works besides denial of envisaged hostel facilities to 4,188 students. We also observed that no plan of action was prepared by the Society as recommended by the PAC to ensure completion of works within the stipulated time.

The State Government stated (January 2019) that in respect of five works under Sl. No.1 of **Appendix-3.17**, there was a delay in handing over the site to the contractor. The reply, however, was silent on the other instances pointed out by audit.

➤ *Splitting of estimates*

As per the delegation of financial powers (April 2010), the Commissioner, SW department is empowered to accord Administrative approval for estimates of ₹1.00 crore for one work. We observed that the DDs of two districts (Hassan and Haveri) split seven works, totally estimated to cost ₹9.62 crore and each repair work exceeding ₹1.00 crore, into 18 estimates (two or more estimates), each valuing less than ₹1.00 crore to bring them within the powers of the Commissioner as detailed in **Appendix-3.18**.

⁴⁹ Available Tender Capacity (ATC) is assessed as $(A * N * 1.5 - B)$, where
A=Maximum value of civil engineering works executed in any one year during the last five years (updated to. * price level) taking into account the completed as well as works in progress.
N= Number of years prescribed for completion of the works for which tenders are invited.
B=Value at.....* price level, of existing commitments and on-going works to be completed during that next.... year (period of completion of the works for which the tenders are invited).

The State Government stated (January 2019) that the estimates were not split but estimates were prepared separately for repair works and renovation works and administrative approval was accorded for each estimate separately. It is evident from the reply that development works for the hostels were not taken up comprehensively as a single package but split into different estimates to avoid sanction of higher authorities.

3.2.10 Financial management

3.2.10.1 Budgetary process

The State Government provided funds for the construction, repairs/renovation and maintenance of hostels under the various heads of account as detailed in Paragraph 3.2.10.2. We observed from the records that SW department forwarded the requirement of funds under the various heads of account to the Finance Department. The proposals were based on the demand received from the districts and taking into account the budget allocation during the previous years.

The department releases the funds for construction, repairs and upgradation of hostels received by it to the construction agencies and the Finance department releases funds for maintenance of hostels to the Zilla/Taluk Panchayats for onward release to the district and taluk officers of the SW department.

3.2.10.2 Allocation, release and expenditure

During the period 2013-14 to 2017-18, the State Government released ₹723.65 crore for construction of hostels, ₹488.92 crore for repairs and upgradation and ₹1,608.75 crore for maintenance of hostels. The details of allocation, release and expenditure is exhibited in **Table-3.9**.

Table-3.9: Details of allocation, release and expenditure during the period 2013-14 to 2017-18

(₹ in crore)

Sl. No.	Head of Account	Allocation	Releases	Expenditure
1	4225-01-277-2-01 (CSS)	292.05	84.70	84.70
2	4225-01-277-2-03 (State)	638.95	638.95	558.04
	Total - construction	931.00	723.65	642.74
3	2225-01-053-0-01 (State)	488.92	488.92	488.92
	Total – repairs / upgradation	488.92	488.92	488.92
4	2225-00-101-0-29 (ZP) - P	281.27	284.26	270.74
5	2225-00-101-0-36 (ZP) - NP	108.63	103.48	98.45
6	2225-00-101-0-61 (TP) - P	180.07	178.51	168.12
7	2225-00-101-0-61 (TP) - NP	1,029.84	1,009.12	979.32
8	2225-00-101-0-67 (TP) - P	33.65	33.38	31.42
	Total - maintenance	1,633.46	1,608.75	1,548.05
	Grand Total	3,053.38	2,821.32	2,679.71

Source: Information furnished by Commissioner, SW department P- Plan NP – Non-plan

3.2.10.3 Unfruitful expenditure

Joint inspection of hostels showed instances of unfruitful expenditure in supply of diesel generators to hostels as detailed below:

- (a) There are 6 boys' hostels for post-matric students in Belagavi. Hostel 1 and 3 were functioning in the same building. Two generators of capacity 5 KVA and 7.5 KVA were already installed in this hostel building. However, two more generators of capacity 10 KVA were supplied (October 2017) to Hostel 1 and Hostel 2 (Hostel 2 was functioning in a rented building).
- (b) Both the girls' hostels for post-matric students were functioning in a single building. One generator of capacity 7.5 KVA was already installed in this building. However, one more generator of capacity 10 KVA was supplied (October 2017) to this hostel.
- (c) Out of six generators of 10 KVA capacity supplied (October 2017) to six hostels in Ramdurg taluk and functioning in own buildings, five were installed but were not connected and one was yet to be installed.

Thus, unnecessary supply of generators and non-installation and commissioning of generators resulted in unfruitful expenditure of ₹22.65 lakh.

The State Government stated (January 2019) that construction of own buildings was under progress and generator sets would be utilised in the new buildings. It further stated that the districts concerned would be instructed to utilise the generators completely or shift it to needy places.

3.2.10.4 Avoidable payment of rent

As stated in Paragraph 3.2.8.1 of this report, 18 *per cent* of the hostels in the State were functioning in rented buildings. Hence, the department took up construction of hostels to provide better facilities to the inmates and entrusted the works to the construction agencies. We observed delays in completion of the works by the construction agencies because of which the department had to continue the hostels in the existing rented buildings. This resulted in payment of rent of ₹75.47 lakh in respect of 16 hostels (detailed in **Appendix-3.19**), which was avoidable had the department ensured timely completion of the works.

The State Government stated (January 2019) that action would be taken to get the works completed at the earliest and relocate the hostels functioning in rented buildings.

3.2.11 Availability of facilities in test-checked hostels

Audit conducted joint physical verification of 72 hostels in the test-checked taluks. In the absence of norms/guidelines of the State Government, the CSS guidelines were adopted as criteria. Status of availability of few facilities is detailed below:

❖ **Cots** – There were 6,334 inmates in the test-checked 72 hostels as against the sanctioned strength of 5,880. We observed that in 55 hostels, as against the requirement of 5,386 cots, there were 3,266 cots with a shortfall of 2,120 cots. Hence, the existing cots were either joined together to accommodate all the inmates or the inmates were sleeping on the floor (**Exhibit-3.3**). In 15 hostels, as against the requirement of 833 cots there were 1,126 cots with an excess of 293 cots. Two hostels had provided cots to all the inmates (115).

**Exhibit-3.3: Cots either joined or inmates sleeping on the floor
(Pre-matric girls' hostel, Ramdurg (29.06.2018))**



The State Government stated (January 2019) that procurement of additional cots is under process and would continue till such time all the hostels are supplied with two-tier cots. It further stated that the concerned district officers would be notified immediately to shift or return the excess cots to needy hostels.

❖ **Mattress and bedsheets** – The State Government stipulated (November 2014) that mattress and bedsheets (include bed spreads, chaddars, pillows and pillow covers) should be provided to hostel students once every three years. We observed that mattress, bed sheets and pillow/pillow covers were not supplied even once in 53, 30 and 39 hostels respectively during the audit period.

The State Government stated (January 2019) that 61,382 mattresses were being delivered through KREIS and further procurement would be done and supplied to all inmates in a phased manner.

❖ **Study tables** – The inmates of 60 hostels were not supplied with study tables. The State Government stated (January 2019) that all students would have study tables in the coming years, as envisaged by the Department.

❖ **Sports equipment** – The State Government specified (November 2014) the sports equipment to be provided in the hostels. The required equipment was provided in all the test-checked hostels.

❖ **Library books** - No norms were prescribed for the type and extent of books to be maintained in the libraries of the hostels. All the test-checked hostels generally provided books in the library.

❖ **Ramp for physically challenged** – The CSS guidelines stipulated that a few rooms/blocks of the hostels should be barrier free and facilities like ramps

have to be incorporated in the design for the convenience of students with disabilities. Such facilities were not available in 61 hostels.

The State Government stated (January 2019) that the hostels were constructed as per the approved plan of the State Government and not as per the CSS guidelines. The approved model plan was, thus, deficient as it did not consider the requirements for physically challenged.

❖ **Bathroom/toilet ratio** – In accordance with the CSS guidelines, there should be one bathroom and one toilet for every 10 inmates. 31 hostels had maintained this ratio. There was one bathroom and one toilet for every 11-20 inmates in 33 and 30 hostels respectively. In 8 and 11 hostels, more than 20 inmates were using one bathroom and one toilet respectively.

The State Government stated (January 2019) that there was a demand for construction of additional bathrooms/toilets and action would be taken to construct them based on the availability of funds.

❖ **Water supply** - There was continuous water supply in all the test-checked hostels.

❖ **Biometric system** – SW department issued (June 2017) circular directing all hostels to introduce biometric attendance system and upload the status daily with effect from 1 July 2017. This system was functioning effectively in 68 hostels.

❖ **CCTV** – The above circular also directed installation of CCTV cameras by the hostels. Thirty-five hostels including four girls' hostels had not installed the CCTV.

The State Government stated (January 2019) that CCTV had been installed in all girls' hostels housed in own building in the first phase and measures were being taken to install CCTVs even in rented building and remaining boys' hostels also.

❖ **Generators** – Only 23 test-checked hostels had generators for back-up power supply. The State Government stated (January 2019) that supply of diesel generators was being done in a phased manner to all hostels and was yet to be completed.

❖ Nine boys' hostels did not have a watchman and none of the test-checked hostels had separate rooms for warden and watchman as stipulated in the CSS guidelines.

The Commissioner, SW department stated (January 2019) that action has been initiated to fill up the posts through outsourcing.

3.2.12 Monitoring mechanism

Effective monitoring is a must for successful implementation and functioning of any scheme/activity. We observed that there was lack of monitoring with regard to the construction of the hostels as detailed below:

3.2.12.1 Non-adherence to the conditions stipulated in work orders

The work orders issued to the construction agencies like NK and KRIDL included certain conditions which were to be complied with by them. We observed non-compliance as indicated in **Table-3.10**.

Table-3.10: Statement showing the non-compliance by construction agencies

Sl. No.	Condition	Status of compliance	Impact
1	The final instalment should be released to the construction agency after the work has been satisfactorily completed and handed over to the department.	Funds are released in one lump sum before commencement of the work.	Though works are stated to have been completed, many of them have not been handed over to the department.
2	The construction agency shall submit progress reports to the Commissioner, District Officers and Taluk Officers periodically.	Progress reports were not made available to audit by the Commissioner, District and Taluk officers.	There was no monitoring on the progress of the construction by the department's officers.
3	On completion of the work, the construction agencies and social welfare officers should submit the Utilisation certificates (UCs) along with jointly signed photographs to the Commissioner, SW department.	In response to audit enquiry seeking production of UCs, the Commissioner stated (August 2018) that the same would be obtained and furnished.	It is evident from the reply that the construction agencies were not furnishing UCs.

Source: Information furnished by Commissioner, SW department

Thus, non-compliance to the conditions stipulated in work orders resulted in lack of effective monitoring of the progress of construction by the district and taluk level officers.

The State Government stated (January 2019) that appropriate directions would be issued to comply with the conditions stipulated in the work orders/release orders.

3.2.13 Conclusion

The State Government had not brought out any guidelines for construction of hostels. The non-construction of hostel at Byadgi and the incomplete work at Betagera indicated lack of proper planning/prioritisation in constructing the hostels.

The number of students accommodated in the hostels in the State exceeded the envisaged capacity. This was because the State Government directed (July 2013) the SW department to accommodate all SC students who have sought admission for the hostels, irrespective of the sanctioned strength of the hostels.

Out of 190 test-checked hostels in 16 taluks, 74 hostels (39 *per cent*) were accommodating more students than the capacity. In 10 hostels, the crowding was to the extent of more than 100 *per cent*. On the other hand, 85 hostels (45 *per cent*) were under-utilised. In 18 hostels, the extent of under-utilisation was less than 10 *per cent* and in 30 hostels, it ranged between 12 to 25 *per cent*.

While the extent of under-utilisation in 26 hostels ranged between 26 to 50 *per cent*, it was 53 to 83 *per cent* in the balance 11 hostels. It was also seen that crowding was more in girls' hostels as compared with the boys' hostels.

The exemption provided under clause 4(g) of the KTPP Act, 1999, violated the guidelines of Central Vigilance Commission and was against the judgement of the Hon'ble Supreme Court. This led to indiscriminate entrustment of works on nomination basis to the agencies. There were delays in commencement and completion of works by the constructing agencies. In violation of the codal provisions, the department entrusted 12 works estimated to cost ₹45.63 crore to these agencies without ensuring the availability of sites.

The department had not furnished the details of repair/renovation works taken up during the period 2013-14 to 2015-16. Further, 376 (50 *per cent*) out of 755 works taken up during 2016-17 and 2017-18 with a stipulated period of six months' completion were yet to be completed. There were instances of non-execution of repair/renovation works which were incorrectly reported as being completed.

There were deficiencies in providing facilities such as cots, beds, mattresses, toilets and bathrooms to the inmates of the test-checked hostels.

The tendering process was not compliant with the provisions of the KTPP Act, 1999. The evaluation of tenders was not consistent with the criteria spelt out in the tender documents. Awarding several works in excess of the capacity of the contractors led to chronic delay in execution of works.

Funds were released in lump sum to the construction agencies without effecting statutory deductions and FSD resulting in non-recovery of ₹14.86 crore towards income tax and ₹37.16 crore towards FSD. The constructing agencies retained the savings realised on construction of works without remitting it to the department. The construction agencies/department officers did not comply with the various instructions stipulated in the sanction orders leading to absence of effective monitoring.

Department of Health and Family Welfare

3.3 Misappropriation of ₹2.81 lakh

Failure of the Taluk Health Officer, Pavagada to comply with the provisions laid down in Karnataka Financial Code, 1958 for preparation of bills and supervision resulted in misappropriation of ₹2.81 lakh by the First Division Assistant of the said office.

Articles under the Karnataka Finance Code 1958 (KFC) and Karnataka Treasury Code 1963 (KTC) stipulate the following:

Article No.	Provisions
KFC	
3	Every Government servant should see that proper accounts are maintained for all Government financial transactions with which he is concerned. He should check the accounts as frequently as possible in order to see that his subordinates do not commit fraud, misappropriation or any other irregularity.
24(f)	Unless the Government have expressly authorised it in the case of any specified office, no bill or other voucher and no payment order shall be signed by a clerk for the head of office.
67	Each cheque book must be kept under lock and key in the personal custody of the drawing officer.
KTC	
68	When a bill is presented by a person who is not the drawing officer himself or his duly authorised banker, he shall be required to produce a letter from the drawing officer or the endorsee bank, in Form KTC-12.

In order to reduce infant and maternal mortality rate and encourage institutional delivery, Government of Karnataka launched (April 2012) Thayi Bhagya scheme. The scheme included a component ‘Prasuthi Aarika’, wherein a financial assistance of Rupees one thousand (first instalment) was provided to the pregnant women of below poverty line during her second trimester antenatal check-up. Prior to 2017-18, the scheme stipulated that the financial assistance to the beneficiary was to be provided through cheque. Further the expenditure and also identification of beneficiaries was to be initially audited by State Accounts Department (SAD) once in six months and submit the Audit Report both to the Government as well as to the Finance Department.

The procedure to be followed for drawing and disbursing financial assistance to the beneficiaries under the scheme is detailed below:

- (a) The applications received from the beneficiaries was to be scrutinised and signed initially by the Medical Officer of the concerned Primary Health Centre or the hospital where the beneficiaries were consulting. The said applications were to be forwarded to the Taluk Health Officer (THO), the Drawing and Disbursing Officer (DDO) who in**

turn countersigns the applications and forwards the same in original to the Gazetted Assistant (GA) at the District Health Office for approval. On receipt of the applications duly approved by the GA, a Detailed Contingent (DC) bill is prepared by the THO and forwarded to the District Health Office for counter signature by the GA. Thereafter, the bill is submitted by the DDO to the Treasury along with token for payment. The counterfoil of the token was to be retained by the DDO for receipt of payment by the Treasury. The Treasury Officer on verification of the correctness of the bill issues a cheque in favour of the DDO.

- (b) In order to facilitate disbursement by the implementing authorities, an intermediary account in the name of DDO is opened in a nationalised bank. The cheque issued by the Treasury is initially deposited in this intermediary account and subsequently disbursed to the beneficiaries through issue of individual cheques in the name of beneficiaries.

During 2017-18, audit of 19 THOs was conducted. On review of the records of the THO, Pavagada (October 2018), we observed that during 2016-17, ₹2.81 lakh drawn from the Treasury for providing financial assistance to 281 beneficiaries under 'Prasuthi Aarika' scheme was not disbursed to the beneficiaries. Further, scrutiny revealed that the First Division Assistant (FDA) of the office fraudulently drew the amount through four cheques issued by the Sub-Treasury Officer, Pavagada on 30 March 2017 and 31 March 2017. The modus operandi of the FDA was that the cheques issued by the Treasury in favour of the Manager, State Bank of Mysuru, Pavagada (intermediary account for the scheme) was credited to his personal account at the same bank by presenting fraudulent salary bills signed by himself. In this regard, we observed the following:

- The original applications of the beneficiaries duly approved by the THO, Pavagada and GA were not enclosed to the DC bill submitted to the Treasury, as the same were available (October 2018) in the office of the THO, Pavagada.
- Contrary to the Article 68 of KTC, the DC bill was presented to the Treasury by the FDA who was not the DDO.
- The DDO did not monitor either the payments by the Treasury against the DC bills signed by him or for presenting the cheques issued by the Treasury to the intermediary account in the name of DDO.
- However, the DDO had signed individual cheques in the name of the beneficiaries for extending financial assistance without confirming receipt of payment by the Treasury. We observed that 169 cheques signed by the DDO and not issued to the beneficiaries were available (October 2018) in the THO. In addition, contrary to article 67 of KFC, the cheque books were not in the custody of the DDO and also no stock register of cheque books was maintained.

- Reconciliation of accounts was not carried out by the DDO.
- The Directorate had not initiated action to get the expenditure of the scheme audited internally by the SAD. Contrary to the procedure being followed, the Sub-Treasury Officer, Pavagada had issued cheque favouring the Bank Manager instead of DDO.

Thus, the failure of the Directorate in Internal Control Mechanism and also on the part of the DDO in following procedure laid down in the KFC for preparation of bills and supervision thereon resulted in misappropriation of Government money to the extent of ₹2.81 lakh meant for Prasuthi Aarike scheme and thus depriving the beneficiaries of the benefits of the scheme.

The DHO replied (October 2018) that based on audit observations FDA has been suspended (September 2018). It is also stated that FDA had refunded ₹2.81 lakh (January 2018 and September 2018). Further, it has been replied that since the DDO failed in his duties of supervision and monitoring, it has been recommended to initiate action against him. Government in its reply (February 2019) has informed that charge sheet has been issued to the THO for dereliction of his duties.

Department of Pre-University Education

3.4 Suspected misappropriation of ₹six lakh from non-Government account

Failure of the Deputy Director, Pre-University Education, Ballari in rendering accounts for the amount drawn, and non-maintenance of cash book as per provisions of the Karnataka Financial Code resulted in suspected misappropriation of ₹six lakh.

Articles under the Karnataka Financial Code (KFC) stipulate the following:

Article No.	Provisions
3	That every Government servant should see that proper accounts are maintained for all Government financial transactions with which he is concerned. It also specifies that he has to render accurately and promptly all such accounts and returns relating to them as may have been prescribed by Government, the Accountant General or the competent departmental authorities.
49	The drawing officer supplied with funds for expenditure is responsible for such funds until an account of them has been rendered to the satisfaction of the Audit Office.
329	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. Further, the cash book should be closed regularly and completely checked. Also, at the end of each month, the head of the office should verify the cash balance in the cash book and record a signed and dated certificate to that effect.

The Department of Pre-University (PU) Education (department) during 2017-18 adopted NCERT syllabus for I PU course in the branches of Economics, Commerce and Business Studies. In order to familiarise the lecturers of Government and Government aided colleges with the subjects, the department, as a first step organised 12 days training programme in Economics. As per the memorandum issued (May 2017) in this regard, the Deputy Director Pre-University Education, Ballari was to organise a training programme from 18 May 2017 to 29 May 2017 at Nandi Pre-University College, Ballari. The expenditure of ₹5.86 lakh incurred towards the training programme was initially met (July 2017) from the savings bank account maintained by the Deputy Director, PU which was subsequently recouped (November 2017) after receipt of funds from the Government.

On scrutiny of the records and the cash book of the Deputy Director PU, Ballari during December 2017, we observed the following:

- In addition to ₹5.86 lakh incurred towards the training programme, an amount of ₹six lakh was drawn (May 2017) on self cheque by the then Deputy Director for conducting the same training programme. However, no vouchers or bills in support of the expenditure incurred were available in the records produced to audit. In addition, the present Deputy Director in his reply (June 2018) confirmed the fact that no vouchers in support of the said expenditure existed. Also, the transaction had been reflected in the cash book as payment without bringing in the encashment in the receipts side. Hence, the erstwhile Deputy Director had violated the articles of KFC by not rendering the account for the amount drawn and also by not reflecting the withdrawal of amount from the bank in the cash book as receipts.
- Guidelines for classification, remittance and use of Government and non-Government fees received in the Government and private aided colleges issued by the Department annually indicate that all examination fees of I PU are to be treated as non-Government fees and are to be remitted to the savings account of a nationalised bank opened in the name of the Principal of the concerned college. However, the Deputy Director PU of Ballari had opened a savings bank account with the State Bank of Mysore, Gandhinagar, Ballari under the name of Deputy Director of Pre-University Edu Exam. The authority under which the said account is being operated is not forthcoming from the records produced to audit.
- The Department had issued a circular (November 2016) authorising the Deputy Directors of PU to incur expenditure towards training programmes for the year 2016-17 from the consolidated funds of the colleges initially which were to be recouped later by the Government. However, during 2017-18, no such instructions were issued. Hence, action of the Deputy Director to draw funds without obtaining prior approval of the Department was irregular.

At the instance of Audit, action was initiated by the incumbent Deputy Director of PU, Ballari. Government has replied (November 2018) that the

previous Deputy Director has remitted (July 2018) ₹six lakh to the I Pre University Bank Account and further has stated that a charge sheet on the officer has been initiated during September 2018. However, the reply is silent on any mechanism being put in place to check such reoccurrences and also on the authority under which the account in the name of Deputy Director is being operated.

Thus, failure of the Deputy Director, PU in rendering accounts for the amount drawn, and non-maintenance of cash book as per codal provisions resulted in the suspected misappropriation of ₹six lakh.

Department of Housing

3.5 Imprudent management of funds

Karnataka Housing Board did not monitor its fund requirement due to its instructions to transfer funds only on certain dates. This resulted in avoidable finance charges of ₹0.63 crore on the overdraft account.

The Karnataka Housing Board (KHB) was established with an objective of providing housing across the State. The Board generates its revenue through sale of applications, initial deposits, sale of sites/houses/flats through auction/installments, rents on commercial buildings, penalty for delayed payments of instalments/rents *etc.* In addition to these, KHB avails loans and also credit through its overdraft account with the Corporation Bank (opened during December 2013) for its housing schemes as it does not receive any grants or assistance from the State Government. Apart from the main overdraft account, KHB is operating seven other accounts⁵⁰ in four banks for collection of its receipts and it had authorised all the bank branches of the said banks to accept remittances from the public. The interest rate charged by the Corporation Bank for the credits availed on the overdraft account for the period 2014-2017 ranged between 10.25 and 9.65 *per cent.* Meanwhile, KHB received savings bank interest rate for all the other collection accounts maintained in the four banks.

The receipts collected from the public are initially transferred to the main accounts of their respective banks and then later transferred to the main overdraft account of KHB. The power to transfer funds from the collection accounts to the main account rested with the Commissioner and the Controller of Finance of KHB.

On scrutiny of records of the KHB (January 2018), we observed that KHB had issued instructions from time to time as detailed in **Table-3.11** for transfer of funds to the main account.

⁵⁰ Axis Bank (2) IndusInd Bank (1), ICICI Bank (1) and Corporation Bank (3)

Table-3.11: Details of instructions issued for transfer of funds

Month and year	Instruction	Periodicity of transfer
February 2014	On 1 st working day of every month	Once in 30 days
February 2015	On 1 st and 16 th of every month	Once in 15 days
October 2015	Once in every two days	Alternate day
August 2016	Reminder to transfer on alternate day	

Source: Information furnished by KHB

Though it had issued instructions for transfer of funds, we observed that KHB had not executed any service level agreement with the banks, until January 2017 when it entered into an agreement for the first time with only one bank *i.e.*, IndusInd Bank Ltd.

Audit conducted study of the impact of the instructions issued for transfer of funds and also non-execution of the agreement with the banks from the period December 2013 to September 2016⁵¹. The observations of the audit after the study of 1,024 transactions are as under:

- Though KHB had issued instructions with regard to transfer of funds, due to absence of any agreements, the banks transferred the funds after a delay of two to 31 days.
- The transfer instructions were based on a transfer periodicity, rather than on a minimum required balance.
- In addition, as per the statement of transactions of the three test-checked⁵² collection accounts, on the date of the transfer, the banks had only partially transferred the amount collected and had retained substantial funds in the collection accounts.
- KHB did not monitor its funds requirement and on 74 occasions, KHB continued to have credits in the overdraft account despite having sufficient funds in its collection accounts.
- During December 2013 to September 2016, while KHB had paid ₹1.86 crore as interest for the overdraft availed, it had received ₹1.23 crore as interest from the receipts held in the various collection accounts. Thus, KHB incurred avoidable finance charges of ₹0.63 crore on the overdraft account.

KHB replied (July 2018) that costing of a project includes the interest component on the overdraft account. The reply is not acceptable as incurring avoidable financial charges on an overdraft account was against the canons of financial propriety.

Thus, inadequate monitoring of the fund requirement and non-execution of service level agreement with the banks led to avoidable finance charges of ₹0.63 crore on the overdraft account.

⁵¹ Reminders to transfer of funds on alternative days was issued to the banks and was complied with.

⁵² ICICI Bank, IndusInd Bank and Axis Bank.

The Government replied (September 2018) that if the banks levied minimum service charge of ₹100, then the KHB would have incurred ₹94.56 lakh as service charges during the said period which would be more than the avoidable finance charges. The reply is not acceptable as the service agreement entered by KHB did not include any service charges.

Department of Minority Welfare

3.6 Extension of financial assistance to ineligible beneficiaries

The Department of Minority Development extended financial assistance under 'Bidaai' scheme of ₹50 lakh to ineligible beneficiaries on account of non-verification of documents submitted by the beneficiaries.

The State Government launched (November 2013) 'Bidaai' scheme with the main aim of bringing a positive change to a family on the birth of a girl child by supporting the family financially for the marriage of the girl. The scheme provides financial assistance of ₹50,000 to poor minority community women (including widows and divorcees) to meet the wedding expenses.

The main conditions prescribed (November 2013) for disbursement of assistance included the following:

- The minimum age of the bride and bridegroom on the date of the marriage should be 18 years and 21 years respectively.
- The annual income of the family should be less than ₹1.50 lakh.
- The assistance would be available for only one member of the family once in a lifetime.

The scheme is implemented through the Department of Minority Development throughout the State. During 2014-15 to 2016-17, the department had incurred expenditure of ₹160.32 crore for providing financial assistance to 32,065 beneficiaries across the State.

On scrutiny of records of eight⁵³ test-checked districts of Director of Minorities Welfare Department during October 2017 to March 2018 out of 30 districts in the State, in two districts [Bengaluru (Urban) and Ballari] where financial assistance of ₹21.05 crore was provided to 4,208 beneficiaries, we observed the following:

- (a) Out of 4,208 beneficiaries, the age of 59 brides and 10 bridegrooms on the date of marriage as indicated in the documents *viz.*, Aadhar card, SSLC Marks card, Transfer Certificate *etc.*, provided in support of age was less than 18 years and 21 years respectively. Though the conditions of the scheme prohibited extension of financial assistance to minors and also the

⁵³ Ballari, Bengaluru (Urban), Dakshina Kannada, Hassan, Haveri, Koppala, Shivamogga and Vijayapura

Prohibition of Child Marriage Act, 2006 prohibits marriage of under aged individuals, the department had extended the scheme to minors. The financial assistance extended to these 69 beneficiaries was ₹34.50 lakh.

- (b) Further, in respect of 31 beneficiaries, we observed that the documents submitted in support of annual income, caste certificate⁵⁴ and date of birth were forged. Audit cross verified these certificates with the information available in the Government website ‘Nadakacheri’, which indicated that the original document varied with that produced to the department. This indicated that the department had extended the financial assistance of ₹15.50 lakh to these 31 beneficiaries without verifying the original documents. All the above 31 cases were referred to respective Tahsildars. The fact that the caste certificates produced by 11 beneficiaries were not original was confirmed by the three Tahsildars (Bengaluru North, Bengaluru South and Yelahanka). Confirmation from other Tahsildars is awaited.

Thus, processing of the applications by the officials of the departments without proper verification of documents resulted in extension of ₹50 lakh to ineligible beneficiaries in two districts. Since during 2013-14 to 2017-18, financial assistance of ₹330 crore has been extended to 66,010 beneficiaries under the scheme, the State Government may examine the matter in respect of all districts.

Government replied (December 2018) that due to work pressure, procedural irregularities had occurred. Further, it has been stated that all the district officers have been instructed to take proper measures for verification of documents.

3.7 Non-payment of statutory contributions to the employees

The Karnataka State Board of Wakf failed to comply with the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the Employees State Insurance Act, 1948. As a result, the Board did not make any statutory payments which amounted to ₹1.09 crore towards the Employees Provident Fund and Employees State Insurance.

Section 8A of the Employees Provident Fund and Miscellaneous Provisions (EPF) Act, 1952 stipulates that the employer’s contribution payable by an employer in respect of any employee employed by or through a contractor may be recovered by such employer from the contractor, either by deduction from any amount payable to the contractor under any contract or as a debt payable by the contractor. The current rate of the employer’s contribution towards an employee is 12 per cent of the basic pay and dearness allowance.

Also, Section 40(1) of the Employees State Insurance (ESI) Act, 1948 stipulates that the Principal Employer shall pay in respect of every employee, whether directly employed by him or by or through an immediate employer both the

⁵⁴ Annual income and Caste certificate issued by Tahshildar of Revenue Department.

employer's contribution and employee's contribution at the rates prescribed. The current rate prescribed for an employer is 4.75 per cent of the wages payable to an employee.

The Karnataka Board of Wakf (Board) requested (August 2010) M/s.Karnataka State Electronics Development Corporation (KEONICS), a Government of Karnataka Undertaking for supply of administrative staff⁵⁵ on contract basis. Since M/s.KEONICS failed to supply the required man power, the Board approached (September 2010) M/s.ACE Concepts, to supply the required administrative staff. The agency quoted service charges of ₹950 per employee which was agreed to by the Board (October 2010). However, from the records, we observed that against the quoted rate of ₹950, M/s.Ace Concepts had charged only ₹450 per candidate from 2010-11 to 2017-18.

Further, it was also observed that contrary to the provisions of the EPF Act, 1952 and the ESI Act, 1945, the Board had not paid the statutory payment (employer contribution) viz., PF contribution and ESI contribution to the staff employed by the Board on contract basis. The amount of statutory payments payable by the Board towards PF and ESI for the period 2010-11 to 2017-18 worked out to ₹78.38 lakh and ₹31.02 lakh respectively as detailed in **Table-3.12**.

Table-3.12: Details of non-payment of statutory contributions

Year	Total number of Employees	PF Contribution @ 12 per cent (₹ in lakh)	ESI contribution @ 4.75 per cent (₹ in lakh)
2010-11 to 2012-13	36	8.52	3.37
2013-14	158	18.07	7.15
2014-15 and 2015-16	86	24.41	9.66
2016-17 and 2017-18	83	27.38	10.84
Total		78.38	31.02

Source: Information furnished by Board

Thus, non-compliance of the provisions of the EPF Act, 1952 and ESI Act, 1945 by the Board resulted in non-payment of EPF and ESI to the extent of ₹1.09 crore to the employees appointed on contract. Besides, the employees appointed on contract basis were denied of benefits of free medical facilities, retirement benefits, etc. In addition, non-compliance of the provisions of the Act attracts implication of penalties viz., fines, interest and imprisonment.

Government replied (December 2018) that Karnataka State Board of Wakf is a statutory organisation established under the Wakf Act, 1995 and is an autonomous body with independent drawing and disbursing officer. Hence for further clarification, it has been stated to contact the Chief Executive Officer (CEO) of the Board. The CEO of the Board in his letter stated (November 2018) that services of hiring of services through M/s.Ace Concepts has been discontinued (May 2018) and has been handed over to a new agency who is

⁵⁵ 14 First Division Assistants and 7 Group D employees

deducting PF and ESI from the employees. However, the reply is silent on non-compliance of the provisions of EPF Act, 1952 and ESI Act, 1945 by the Board which resulted in non-payment of EPF and ESI to the extent of ₹1.09 crore to the employees appointed on contract.

Department of Primary and Secondary Education

3.8 Avoidable expenditure on printing of text books

Non-compliance by the Deputy Directors of Public Instruction/Block Education Officers and Karnataka Text book Society to the orders and instructions issued by Government resulted in avoidable expenditure of ₹1.13 crore.

The Karnataka Text Book Society (Society) established (April 2006) by the Government of Karnataka (GoK) is responsible for preparation, printing, publication and distribution of text books for the primary and secondary school students in the State. The Society assess (first quarter of academic year) the requirement of text books⁵⁶ to be printed for the next academic year through indents from Block Education Officers (BEOs). In addition, a buffer of five *per cent* is provided on the total requirement arrived from consolidation of the indents. Based on the indents finalised, the tenders for printing and supply of text books are invited so as to enable their distribution before commencement of the next academic year.

On scrutiny of records relating to printing and distribution of text books for the academic year 2016-17 during July 2017, we observed the following:

(i) Printing of text books in excess of requirement

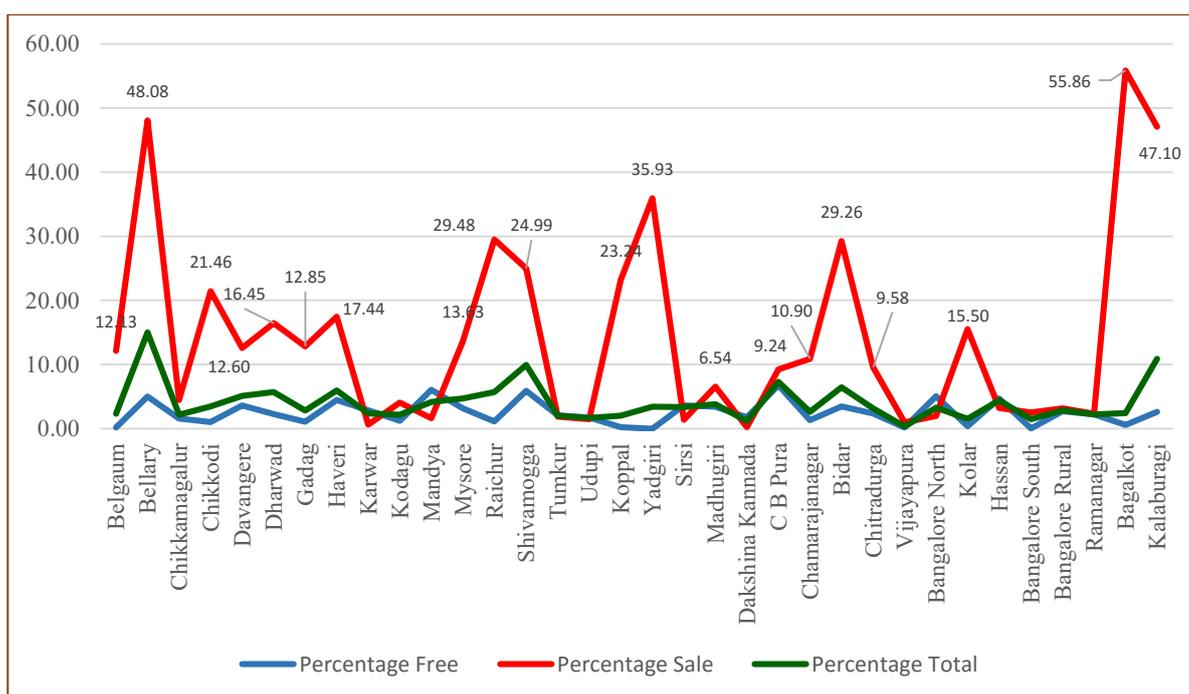
GoK had issued (September 2015) orders which stated that the revision of text books would be implemented from the academic year 2017-18. The Society while calling for indents (July 2015) to print text books, issued various instructions and directions to be kept in mind by the BEOs/Deputy Directors of Public Instruction (DDPIs) while finalising the indents. The directions stated that since the text books were to be revised from the academic year 2017-18, the indents were to be prepared with caution in order to have almost zero balance of text books after distribution in both free and sale categories. It further warned that concerned BEOs/DDPIs would be held responsible for excess books available, if any, after distribution. The Society while re-iterating (September 2015) the above directions informed that no provision for buffer would be made during 2016-17.

Audit, however, observed that contrary to the above directions, out of 4.57 crore books of 360 titles printed during 2016-17, as at the end of March 2017,

⁵⁶ Includes text books to be distributed free of cost as well as for sale.

3.25 lakh books of 178⁵⁷ titles which were in excess of five *per cent* of the books printed remained in stock. The value of the printing cost of these books works out to ₹0.76 crore. This indicated that there were lapses in preparation of indents by the DDPIs/BEOs. On further scrutiny of indents received (district wise), we observed that in 20 educational districts, the text books which remained in stock in respect of books for sale ranged more than five *per cent i.e.*, between 5 and 55 *per cent* of the indents furnished for text books (**Chart-3.4**). However, the records produced to audit did not indicate any action being taken against the BEOs/DDPIs concerned for the excess books remaining after distribution.

Chart-3.4: District-wise details of indents v/s textbooks remaining in stock



Due to revision of text books from the academic year 2017-18, the books remaining undistributed could not be used, thereby rendering the expenditure of ₹0.76 crore incurred on these books wasteful.

The Government replied (December 2018) that based on the directions of the Hon'ble High Court text books are printed in excess of five *per cent* of the indents. In addition, it has also stated that it is impossible to precisely calculate the requirement of books as the demand for text books is from various sources apart from the students studying in schools. Further, the Government stated that the excess books printed is around four *per cent* only and would be distributed to schools for using in their libraries.

⁵⁷ Excluding 10th standard core subjects which were not revised during 2017-18.



Excess books lying in godown

Though we understand that it is not possible to precisely calculate the requirement, the excess is required to be kept to the minimum as in 19 educational districts. Further, even after one year of its distribution, the books were lying in godowns without proper arrangements/ segregation of books as shown in Photograph.

(ii) **Printing of text books using higher GSM⁵⁸ paper**

The Government while approving (January 2015) the printing of text books in 70 GSM paper for the academic year 2015-16, instructed that text books be printed in 60 GSM paper from the academic year 2016-17 onwards. During 2017-18, in the technical specification report given by the Society, it was proposed to continue printing of the text books in 60 GSM paper considering the cost difference of ₹65,714 per MT between the two qualities of paper. However, we observed that the Society while placing (June 2015) orders for printing of text books for the academic year 2016-17 with the Government Printing Press, specified that the paper to be used as 70 GSM instead of 60 GSM in respect of nine titles of text books. Subsequently, the number of titles of books printed in Government Printing Press was revised (July 2015) to six. This resulted in excess consumption of 56.27 MT of paper and extra expenditure of ₹0.37 crore.

The Government replied (December 2018) that orders for printing six titles of text books in the Government Printing Press were issued prior to the decision of the Governing Council (November 2016) to print the text books using 60 GSM paper. The reply is not acceptable as the Government itself had instructed in January 2015 for the printing of the text books on 60 GSM paper from the academic year 2016-17.

Thus, non-compliance by the DDPIs/BEOs to the Government Orders issued with regard to preparation of indents for text books and instructions of Government with regard to printing of text books by the Society resulted in avoidable expenditure of ₹1.13 crore.

⁵⁸ GSM refers to measurement of paper density in Grams per Square Metre

Department of Revenue

3.9 Avoidable payment of compensation

Erroneous classification of land in the final notification of acquisition issued and non-initiation of timely corrective action by the Government resulted in avoidable payment of compensation of ₹10.53 crore to the land owners.

Provisions for acquisition of land under the Land Acquisition Act (LA Act), 1894 are as follows:

Section	Provision
4(1)	Publication of a preliminary notification by the Deputy Commissioner (DC) in respect of the land in any locality needed for any public purpose. The notification states the purpose for which the land is needed, describing the land by its survey number, its approximate area.
6(1)	Subsequent to the DC causing the land to be marked out and measured, the appropriate Government shall then make a declaration that the land is needed for public purpose.
11	Requires the DC to make an award of compensation for the land acquired after hearing objections, if any, from all the persons interested in the land.
13-A	The DC may, at any time, but not later than six months from the date of the award or before making reference to a Court under Section 18, by order, correct any clerical or arithmetical mistakes in the award or errors arising therein either on his own motion or on the application of any person interested or a local authority.

The Special Deputy Commissioner, Bengaluru issued preliminary notification (September 2008) and final notification (April 2010) for acquiring 56 acres 22 guntas of land located at Bellandur Amanikhane Village, Varthur Hobli, Bengaluru East. The notifications were issued on behalf of the Bangalore Water Supply and Sewerage Board for establishment of 120 MLD capacity Sewage Treatment Plant under Cauvery Water Supply Scheme, Stage IV, Phase II.

On scrutiny of records of Special Land Acquisition Officer (SLAO) (June 2017), we observed that the acquisition included 1 acre 29 guntas of land in survey number 293 of Bellandur Amanikhane Village, Varthur Hobli, Bengaluru East. In the preliminary notification (September 2008), while the said land was classified as tari⁵⁹ (31 guntas) and bagaithu⁶⁰ (38 guntas) land, the same was classified as tari (31 guntas) and kharab⁶¹ (38 guntas) land in the final notification (April 2010). On verifying the revenue records, we observed that one acre 29 guntas was classified as tari. Hence, there was classification error while issuing the final notification. Further, we observed that the SLAO, Bengaluru had communicated (June 2011) the said error to the Principal Secretary, Revenue Department and had requested approval for rectifying the

⁵⁹ Wet cultivation land.

⁶⁰ Irrigation land.

⁶¹ Uncultivable land such as dry land, ponds, rocks *etc.*

error. However, the request was turned down by the Government (August 2014) stating that no provisions existed for rectification after issue of final notification and passing of the award. This was contrary to section 13-A of the LA Act, 1964 which allowed correction of any clerical mistakes in the award.

In addition, we observed that based on the final notification, award for compensation was passed during December 2010. As per the award, the base price of kharab land was fixed at ₹12.50 lakh per acre and for other lands at ₹1.25 crore per acre. The compensation for the correct classification of land would have worked out to ₹3.47 crore⁶². Meanwhile, the landowners aggrieved by the error in the final notification as well as the final award notification approached Hon'ble High Court and sought quashing of both the preliminary and final notification along with the final award of compensation (August 2014). The Hon'ble High Court while allowing the writ petition, directed the SLAO to issue appropriate notice and pass award in accordance with the law as expeditiously as possible within outer limit of four months from that date and allow market value of land prevailing as on the date of order. Accordingly, the Government revised (September 2016) the compensation amount to ₹14 crore based on the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (LA Act), 2013. The compensation amount was paid to the land owners during September - October 2016.

Thus, erroneous classification of land in the final notification and also non-initiation of timely corrective action by the Government under the provisions of LA Act, 1964 resulted in avoidable payment of compensation of ₹10.53⁶³ crore to the land owners.

Government replied (December 2018) that opinion of the law department was obtained in this regard. The Law Department opined that it was not permissible by law to correct the 6(1) notification for the following reasons.

- Owners had not filed any application within the time prescribed for correction of classification of land.
- Nature of land was not indicated in the spot inspection report of the land acquisition officer.
- RTC/Pahani did not indicate the nature of land. However, the reply further states that action is being initiated against the officer/officials responsible for higher compensation.

The reply is not acceptable, since the special land acquisition officer had noticed the lapses on his own and had initiated action within the prescribed period. Hence, corrective action could have been initiated at the Government level. Further, even though RTC did not indicate the type of land, it indicated extent of Kharab land as 'NIL'. Hence the payment of higher compensation was avoidable.

⁶² It includes land cost ₹2.15 crore and ₹1.32 crore towards solatium, interest and Government expenses.

⁶³ ₹14 crore – ₹ 3.47 crore = ₹10.53 crore.

Department of Rural Development and Panchayat Raj

3.10 Unfruitful expenditure on water supply schemes

The Executive Engineer, Panchayat Raj Engineering Division, Harapanahalli failed to acquire land for the works of water supply schemes in Davanagere district before commencement of works resulting in unfruitful expenditure of ₹47.55 crore and denial of safe drinking water.

The provisions of Karnataka Public Works Departmental Code stipulate that no work should be entrusted for execution without ensuring the availability of the entire land required for the work. Further, clarification 4.4 of the Handbook on Forest (Conservation) Act, 1980 and Forest (Conservation) Rules, 2003, compiled by the Ministry of Environment and Forest, Government of India, states that work should not be started on non-forest land till the approval of the Central Government for release of the forest land under the Act has been given in respect of projects that involve both forest and non-forest lands.

The State Level Empowered Committee (SLEC) under the Chairmanship of the Minister of Rural Development and Panchayat Raj (RDPR) approved (November 2008) in principle (i) Water supply scheme (WSS) to Telgi and other 56 villages (estimated to cost ₹27.25 crore) and (ii) WSS to Harakanalu and other 29 villages (estimated to cost ₹23.31 crore) in Harapanahalli taluk of Davanagere district along with other water supply works to eliminate multiple water quality problems including excess fluoride and to provide safe drinking water. The SLEC stated that administrative approval would be given based on technical feasibility and availability of grants and directed the RDPR Department to initiate the preparation of Detailed Scheme Report from the shortlisted consultants.

Scrutiny of the records (August 2016) in the office of the Executive Engineer (EE), Rural Drinking Water Supply and Sanitation (RDW&S) division⁶⁴, Davanagere and additional information (copies of schedule of rates, survey report, DPR, agreements, running account bills, *etc.*) furnished (October 2017), revealed that the EE, PRED, Harapanahalli entrusted the work of preparation of DPRs in respect of WSS to Telgi and other 56 villages (June 2009) and WSS to Harakanalu and other 29 villages (December 2009) to a consultant (Sri Venkateshwara Grameena Engineering Consultants, Mysuru).

The DPRs of both the schemes prepared (September 2011) by the above consultant proposed common head works and water treatment plant near Garbhagudi village with River Tungabhadra as source. The DPRs indicated the various works to be undertaken, but failed to identify the lands required for these works as no detailed survey and investigation, required as per the terms of reference, was done.

⁶⁴ A separate Rural Drinking Water Supply and Sanitation Department was created *vide* Government Order dated 4.3.2014 for effective implementation and efficient monitoring of water supply schemes which were being implemented by PRE Department.

The State Government administratively approved (June 2010) both the water supply schemes under the sub-mission component of the National Rural Drinking Water Programme. The CE, PRED, Bengaluru, accorded (September 2011) technical sanction for WSS to Telgi and other 56 villages at an estimated cost of ₹30.17 crore and WSS to Harakanalu and other 29 villages at an estimated cost of ₹26.75 crore. The note accompanying the technical sanction, *inter alia*, stipulated that the required land be acquired before inviting tenders.

Both the schemes involved diversion of forest land of 3.841 hectares for undertaking the works of construction of Water Treatment Plant with main balancing tanks (1.514 hectares), construction of ground level storage reservoir, zonal balancing tank, pipeline and approach road (2.327 hectares). The EE, PRED, Harapanahalli, without ensuring the availability of land, invited tenders⁶⁵ and entrusted (January 2013) both the works to M/s Srinivasa Constructions India Pvt. Ltd., Bellary at an approved cost of ₹29.55 crore (15 *per cent* above sanctioned estimates) and ₹31.60 crore (16.58 *per cent* above sanctioned estimates) respectively with the stipulation to complete the works within 11 months 25 days including the monsoon *i.e.* by January 2014.

The entrustment of works was in violation of the above cited provisions and the schemes were not complete as of July 2018 due to non-acquisition of land. An expenditure of ₹23.82 crore (Telgi and other 56 villages) and ₹23.73 crore (Harakanalu and other 29 villages) was incurred as of July 2018.

Mentions were made in previous⁶⁶ Audit Reports on Local Bodies regarding unfruitful expenditure on water supply projects due to failure of RDPR Department in ensuring availability of lands before taking up such works. The Committee on Local Bodies and Panchayat Raj Institutions took serious note of the observations and recommended that delays due to non-acquisition of land should be avoided.

Thus, despite requisite codal provisions and being pointed out repeatedly by Audit, RDPR Department was taking up works without ensuring availability of land. In these two cases also, failure of the EE to acquire land before commencement of works resulted in the schemes remaining incomplete even after a lapse of five years from the date of entrustment and consequent unfruitful expenditure of ₹47.55 crore incurred so far besides denying safe drinking water facility to the targeted population (1,02,695) of these villages.

The State Government stated (August 2018) that the Forest Department has granted the land for construction of water treatment plant and balancing tanks and the required amount of ₹34.51 lakh has been deposited with the Forest Department. It also stated that the works are likely to be completed in

⁶⁵ Harakanalu and 29 other villages during April 2012 and Telgi and other 56 villages during July 2012.

⁶⁶ Paragraph 2.3 of Audit Report – 2009, Paragraph 2.3 of Audit Report – 2010, Paragraph 2.4 of Audit Report – 2012 and Paragraph 3.1.8.3(b) of Audit Report – 2016.

November 2018 and water would be supplied to all the villages before the start of summer season.

The reply does not address the reasons for entrustment of work without ensuring the availability of land. Moreover, the Central Government had approved in principle (Stage I) diversion of forest land of 1.514 hectares only on 1 March 2017 and for 2.327 hectares of forest land on 4 December 2017 and the final approval for transfer of forest land from the Central Government in respect of both the schemes was still awaited (September 2018).

3.11 Incorrect levy and collection of education cess

The Department of Rural Development and Panchayat Raj, in violation of the Karnataka Education Act, 1983, prescribed levy and collection of education cess by Gram Panchayats. Accordingly, 197 test-checked GPs had levied and collected ₹2.69 crore as at the end of March 2017.

Section 2 of The Karnataka (Enhancement of Certain Cesses) Act, 1976 through amendment to Chapter III of the Karnataka Compulsory Primary Education Act, 1961 (KCPEA, 1961), stipulated that for promoting primary education in the State, education cess shall be levied at the rate of 10 paise in the rupee on (i) land revenue, (ii) state revenue mentioned in Schedule A and (iii) items of tax mentioned in Schedule B⁶⁷. Section 17-A stated that the local authority shall be entitled to deduct ten *per cent* of the amount recovered as the cost of collection and the balance shall be paid to the State Government. Further, Section 146(1) of the Karnataka Education Act, 1983⁶⁸ (KEA, 1983), repealed the KCPEA, 1961 and there was no stipulation for levy and collection of education cess in the KEA, 1983.

Audit scrutiny (June/September 2017) of records of 60 Gram Panchayats (GPs) and information gathered through issue of proforma (June/July 2017) from 137 GPs for the period 2012-13 to 2016-17 showed that education cess of ₹2.69 crore⁶⁹ was collected by the GPs as at the end of March 2017. The Department of Rural Development and Panchayat Raj (RDPR) *vide* its circulars (seven circulars from May 2003 to November 2016) had clearly directed and prescribed the forms to the GPs to levy and collect education cess at 10 *per cent* of the tax on land and buildings and remit it to the concerned head of account. These directions were clearly in violation of the KEA, 1983 as the statutory provisions governing levy and collection of education cess were repealed with effect from 1 June 1995.

While the GPs complied with the directions for levy and collection of education cess, only 49 GPs complied with remitting it to the concerned head of account and had partially remitted ₹41.73 lakh⁷⁰. The other 148 GPs had not made any

⁶⁷ Taxes on buildings and lands and taxes on vehicles and animals.

⁶⁸ The Karnataka Education Act, 1983 came into effect from 1 June 1995.

⁶⁹ Includes education cess collected prior to April 2012.

⁷⁰ The documentary evidence for the remittance of ₹16.25 lakh by 23 GPs was not furnished to audit.

remittances. The GPs had utilised ₹1.07 crore towards payment of salary, water charges, and general expenses resulting in diversion of cess amount, and had retained ₹1.20 crore with them as detailed in **Appendix-3.20**.

Thus, the above directions of the RDPR department led to unlawful levy and collection of education cess of ₹2.69 crore by the test-checked GPs and further resulted in irregular retention and diversion due to non-remittance of education cess. These are only illustrative cases and highlight the risk of similar omission in other GPs, not covered in test audit. The State Government, therefore, needs to look into this issue in all the 6,022 GPs and take appropriate corrective measures.

The State Government issued (April 2017) instructions directing all the GPs to remit all the cesses (includes 10 *per cent* education cess also) levied and collected on property tax before March 2018. The State Government in continuation of the above instructions further directed (June 2018) all the GPs to remit the education cess to the concerned head of account. The status of remittances by GPs was yet to be furnished to audit.

The State Government accepted (January 2019) the audit observation and stated that the GPs were not empowered to collect the cess in the absence of specific provision in the Karnataka Gram Swaraj and Panchayat Raj Act, 1993. It further stated that it is under the consideration of RDPR Department to give up this practice of collecting the cess and to transfer the amount collected to the concerned entity.

Department of Technical Education

3.12 Unfruitful expenditure on construction of women's hostels

Due to non-conducting of demand survey, deficiencies in preparing estimate and drawings for construction of a women's hostel by the Department of Karnataka Public Works, Ports and Inland Water Transport and Karnataka Housing Board (KHB), buildings constructed at a cost of ₹1.86 crore remained incomplete and unutilised for more than four years.

Clause 61 of the Karnataka Public Works Departmental (KPWD) Code, 2014 states that Surveying and Engineering Drawings are the vital aspects of any Civil Engineering project that result in effective design, estimation and execution. Further, clause 90 (4) of the KPWD Code, 2014 states that before preparation of an estimate for buildings, soil properties are to be got tested by the Quality Control Laboratories. Based on the soil properties (Soil Bearing Capacity) report, the foundation soil for buildings, foundation and structural design, details for each component of the structures and architectural drawings are to be incorporated in the estimate of a particular work which would also avoid preparation of revised estimate.

The Government of India (GoI) extended one-time financial assistance for the Construction of Women's Hostels under the scheme 'Sub-Mission on Polytechnics under Coordinated Action for Skill Development'. This scheme was to be implemented in All India Council for Technical Education approved Government/Government aided Polytechnics (@ ₹1.00 crore per polytechnic for accommodating 50 boarders). Under the Scheme the State Government undertook construction of women's hostel in 57 Government Polytechnics. The records of Directorate of Technical Education (DTE) indicated that while 36 works were completed, 21 were under various stages of completion. Audit test checked three out of 36 works completed viz., Dharmaprasanna Aralaguppe Chandras Gowda Government Polytechnic (DACGP), Chikkamagalur, Government Polytechnic Nagamangala and Government Polytechnic Tumkur. The observations of two polytechnics are discussed below:

- ***DAC Government Polytechnic, Chikkamagalur***

The Principal of the DACGP entrusted (November 2011) the work to Karnataka Public Works, Ports and Inland Water Transport Department (Department). DTE accorded (November 2011) administrative approval to the plan and the estimate submitted by the Executive Engineer, for construction of a 703 sq mtr women's hostel. After following all the tender procedures, the department awarded the work (November 2012) to the lowest bidder at a tendered cost of ₹1.05 crore which was 10 per cent above the estimated cost based on Schedule of Rates of 2009-10. The stipulated date of completion of work was eight months from the date of handing over of the site. The total grant of ₹0.90 crore received for the said work was deposited with the department between January 2012 to June 2014.

During execution of the foundation work, the contractor observed that the strata met loose black soil which necessitated change in the design of the foundation. Accordingly, the Department re-designed the foundation and also revised the estimate which required an additional amount of ₹1.50 crore. Audit observed that the soil test was not conducted before preparation of the initial estimate and drawings. Further, the conditions in the sanction order of grants stated that estimated cost over and above ₹1.00 crore was to be provided either by the State Government or by the Institute itself. The DTE instead of providing additional funds through the State Government, reduced the scope of the work to 500 sq.mtrs from 703 sq.mtrs in order to restrict the work to ₹1.00 crore. Thus the capacity of the hostel to accommodate 50 boarders was proportionately reduced for 36 students which was contrary to scheme guidelines.

On completion of the work, the contractor submitted (June 2014) his final bill for ₹0.97 crore and the building was handed over to the Principal, DACGP (July 2014) with the specific remark that electrical and water supply work was pending. However, the utilisation certificates/status of progress achieved under the scheme furnished to GoI (September 2014, July 2015, February 2016 and June 2018⁷¹) indicated that the work was completed and the hostel was ready

⁷¹ It also indicated that hostel was not handed over to the Principal.

for occupation. It was also stated that the hostel was occupied since 2015-16. In order to ascertain the fact, a joint inspection⁷² of the hostel constructed was conducted (July 2018) and the following were noticed:

- Electrical and water supply work was pending.
- Doors and windows were not fixed.
- The structure had developed a horizontal crack in the toilet area.

The joint inspection established that the building was not fit for use even after four years of completion of its construction, and the claim of the DTE that the building was complete and ready for use was factually incorrect.

In addition, we observed that the GoI had communicated (September 2016) to the DTE that the Physical Progress Report of DACGP did not have a certificate that the construction had been laid as per AICTE norms and that the building had minimum 50 beds in order to release the final grant. However, response of the DTE to the above was not forthcoming from the records furnished to Audit. Consequently, GoI did not release the final installment of grant.

Thus, failure to conduct the soil test before preparation of estimate and drawings resulted in cost escalation. As a consequence, there was reduction in built up area which reduced the boarding capacity of the hostel. This not only violated the conditions of the scheme but also in non-release of the final instalment of GoI grants. On account of all these factors, the building remained incomplete and as a result, the basic objective of providing women's hostel in polytechnic was defeated even after incurring expenditure of ₹0.97 crore.

• ***Government Polytechnic Nagamangala***

Similar to DACGP Chikkamagalur, we observed that the women's hostel constructed at a cost of ₹0.89 crore by KHB remained unoccupied. However, the utilisation certificates furnished to the GoI (September 2014/July 2015) indicated that the work was completed and occupied. During joint inspection we noticed that the structure had developed cracks, doors and windows were stolen and hence it was not fit for occupation. Further, it was ascertained orally that due to availability of free women's hostel by Backward Class Department, there was no demand for the said Hostel. This indicated that the construction of women's hostel was proposed without conducting demand survey.

Hence, construction of hostels without conducting demand survey resulted in non-occupation of hostel, thereby rendering the expenditure of ₹0.89 crore incurred on it unfruitful.

Thus, the objective of the scheme of providing hostels for girls was defeated in both the places.

While accepting the facts with regard to DACGP Government Polytechnic, Chikkamagalur, the Government stated (November 2018) that the estimate was

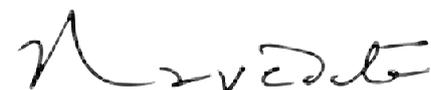
⁷² Audit team with the officer nominated by the institution.

prepared without soil test report as the site of construction was not finalised. Further, it stated the following:

- Currently, the building has been repaired, all doors and windows fixed, electrical and water supply were also provided.
- Since there are no girl students willing to stay in the hostel, it has been decided to provide the six room ladies hostel to boys for proper utilisation of building.
- On receipt of balance amount of ₹10 lakh, three rooms in first floor would be completed for accommodating 50 students.

The reply not only confirmed the fact that estimate of the work was prepared without soil testing but also that construction of girls' hostel was taken up without need assessment. Consequently, allocating the hostel to boys violated the basic objective of the scheme of providing girls hostel. Since the hostel could accommodate only 36 students, the release of balance grants by GoI was remote.

Bengaluru
The 1st October, 2019



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

Countersigned

New Delhi
The 4th October, 2019



(Rajiv Mehrishi)
Comptroller and Auditor General of India