Chapter-II

Compliance Audit Observations on Departments

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Revenue Department

Hindu Religious Institutions and Charitable Endowments Department

2.1. Management of Hindu Religious Institutions by the State Government

Introduction

2.1.1 The Karnataka Hindu Religious Institutions and Charitable Endowments Act, 1997 (the Act) was enacted to bring a uniform law for the regulation of Hindu Religious Institutions and Charitable Endowments in the State. Before commencement of the Act (May 2003), the administration and maintenance of religious institutions was conducted under five different Acts[6] having application in different parts of the State. The Provisions of the Act are mainly applicable to the Institutions Notified under the Act, *i.e.*, All Hindu Religious Institutions governed by the *erstwhile* Acts and also those which were in receipt of any perpetual grants from public revenue including Tasdik Allowance[7] under Inam Abolitions Acts of 1955 and 1977. The Act also provides for registration of other temples (Section 53) and also empowers the State Government to take over the Administration of 'mismanaged' Hindu Religious Institutions.

2.1.2 ***Validity of the Act:*** The Act was struck down (2006) by the High Court of Karnataka, declaring it as "unconstitutional and discriminative". However, on appeal, the Supreme Court stayed (2007) the operation of the High Court's order and permitted (2009) to enforce the Act except Section 25 of the Act regarding appointment of management committees to the Hindu Religious Institutions. Thereafter, amendments to the Act were passed in 2011 and 2012 consecutively, which were also struck down (November 2015) by the Karnataka High Court. The Supreme Court stayed (April 2016) the operation of the High Court's order (of November 2015) and the matter was pending final decision of the Apex Court.

Hindu Religious Institutions and Charitable Endowments Department

2.1.3 The Hindu Religious Institutions and Charitable Endowments Department (the Department) of Government of Karnataka (GoK) is vested with the management of Hindu Religious Institutions and Charitable Endowments and

[6] The Bombay Public Trust Act, 1950; The Madras Hindu Religious and Charitable Endowments Act, 1951; The Coorg Temple Funds Management Regulation, 1892; The Mysore Religious and Charitable Institutions Act, 1927; The Hyderabad Endowment Regulations, 1349F (1939); The Renuka Yellamma Devasthana (Administration) Act, 1974; and The Coorg Temples Fund Management Act, 1956.

[7] Tasdik is an annual compensation payable by the Government to Religious Institutions having their Inam land vested with the Government under Mysore Religious and Charitable Inam Abolition Act, 1955 and Karnataka Other Inam Abolition Act, 1977.

enforcement of powers conferred under the Karnataka Hindu Religious Institutions and Charitable Endowments Act, 1997.

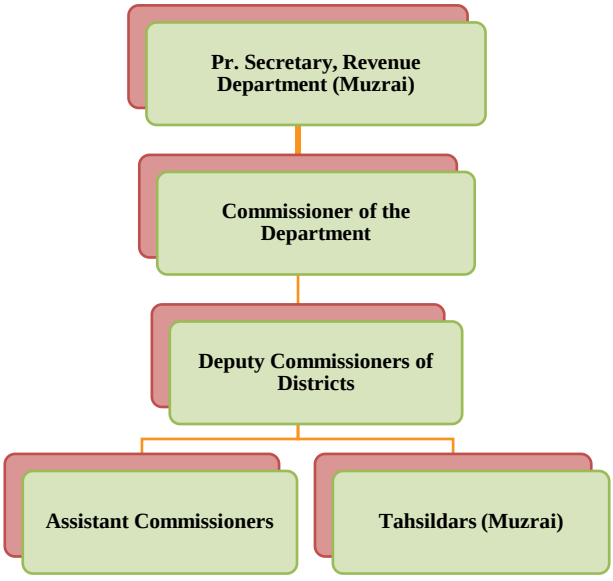
The functions of the Department *inter-alia* included :

- Administration of Notified Institutions/Declared Institutions;
- Development/Renovation/Repairs/Construction of temples and providing basic infrastructure and amenities to Pilgrims;
- Maintenance of Movable and Immovable properties and Protection, Removal of Encroachments;
- Appointment of indoor and outdoor temple servants;
- Constitution of Rajya Dharmika Parishath (RDP) and Zilla Dharmika Parishath (ZDP) and implementing RDP orders; and
- Formation of Management committees to temples (excluding temples where Administrators are appointed).

Organisational Setup

2.1.4 The administrative control of the Department is vested with the Principal Secretary to the Government of Karnataka, Revenue Department (Muzrai) under the charge of Minister of Muzrai.

Chart No. 2.1.1: Organisational setup



The Department is headed by a Commissioner at the State Level. The Deputy Commissioners are the nodal officers for the Department related activities in their respective Districts who are assisted by Assistant Commissioners in

Seven[8] Districts and by Tahsildars (Muzrai Wing) in the remaining 24 Districts in the State.

Executive Officer (EO): The Government or the Commissioner appoints EOs to the notified institutions as per the provisions of the Act. The EOs are responsible for smooth administration of the affairs of the Notified Institutions/Declared Institutions.

Rajya Dharmika Parishat (**RDP):** The State Government constituted RDP, which is chaired by the Minister-in-charge of the Department along with eight other members nominated by the Government. Administration of all religious institutions and charitable endowments are under the general supervision and control of RDP including administration of the 'Common Pool Fund[9]'.

Zilla Dharmika Parishats (ZDPs): ZDPs were constituted by the State Government on the recommendations of RDP for management of Notified Institutions whose annual income does not exceed Rupees Twenty-Five lakhs**.** ZDPs are headed by the Deputy Commissioner of the concerned districts as Chairman and Assistant Commissioner (Muzrai)/Endowment Tahsildar as ex**-**officio Secretary with general powers of supervision and control over such institutions**.**

Notified Hindu Religious Institutions (Muzrai[10] Temples)

2.1.5 Under Section 23 of the Act, the State Government notified the Hindu Religious Institutions that were receiving perpetual grants from the public revenue and those institutions that were administered by the Government under the erstwhile Acts, to bring their management and administration under the jurisdiction of the Department. The Notified Institutions as of March 2022 has been classified as follows:

Table No. 2.1.1: Classification of Notified Hindu Religious Institutions (Muzrai Temples)

Sl. No.	Group	Particulars of Institutions	Total no. of institutions notified
1	A	Institution whose annual income is more than rupees twenty-five lakh per annum	205
2	B	Institution whose annual income is more than rupees five lakh but not more than twenty-five lakh	139
3	C	Institution whose annual income is not more than rupees five lakh	34,219
Total			**34,563**

[8] Dakshina Kannada, Udupi, Uttara Kannada, Belagavi, Ballari, Bangalore Urban and Bangalore Rural.

[9] Common Pool Fund was created under section 17 of the Act by way of contributions at the rate of 10 *per cent* of the net income in respect of institutions whose gross income exceed ₹ 10 lakh; 5 per cent of the net income in respect of Institutions whose gross income exceed ₹ 5 lakh but not exceeding ₹ 10 lakh and grants from Government.

[10] Muzrai generally means an allowance granted for religious or charitable purpose and for the upkeep of religious and charitable institutions.

Audit Objectives

2.1.6 The Compliance Audit was undertaken to ascertain "*whether the Management of Religious Institutions was efficient, effective and was within the framework of the Governing Act*".

Audit Criteria

2.1.7 The Audit Criteria adopted include:

- The Karnataka Hindu Religious Institutions and Charitable Endowments Act, 1997 and Rules, 2002;
- Karnataka Financial Code, 1958;
- Karnataka Budget Manual;
- Karnataka Land Revenue Act, 1964;
- Karnataka Transparency in Public Procurements (KTPP) Act, 1999 and Rules 2000;
- Notifications, Orders, Circulars, Guidelines, Manuals, *etc* .issued by the GoK/Department from time to time.

Audit Scope, Sample and Methodology

2.1.8 The Compliance Audit covered the transactions during the five years period from 2017-18 to 2021-22. The audit process mainly consisted of the scrutiny of records at Secretariat of the Department and Office of the Commissioner at State Level, Office of the Deputy Commissioner at District Level and respective Religious Institutions at local level, with reference to Audit Criteria.

Audit selected five districts (Bangalore Urban, Tumakuru, Udupi, Belagavi and Hassan) under Category-1[11] (*i.e.* 50 *per cent*) and six districts (Kolar, Kodagu, Chikkamagalur, Koppala, Ramanagara and Bagalkote) under Category-2[12] (*i.e.* 25 *per cent*). Audit reviewed all the Notified Institutions under Group-A and B and one *per cent* of the Notified Institutions under Group-C in the selected districts, which had received grants during the Audit Period. The selection was done using the Random Sampling method.

Accordingly, 131 Religious Institutions (Group-A: 9, Group-B: 15 and Group-C:107) in 11 selected districts were selected for detailed audit. 23 Private Institutions which had availed grants during the audit period were also reviewed and Joint Physical Inspection of 18 Religious Institutions in four districts[13] have been conducted.

The Audit Methodology adopted include collection of information through Audit Requisitions, scrutiny of records and digital databases, joint inspection of

[11] **Category-1:** Districts with sanctioned grant of above ₹ 50 crore each - 9 districts.
[12] **Category-2:** Districts with sanctioned grants of less than ₹ 50 crore each - 21 districts.
[13] Ramanagara, Koppala, Tumakuru and Chikkamagaluru.

Religious Institutions, discussion with officers, issue of audit observations and issuing the Audit Report to the Government to elicit its views.

An Entry Conference was held on 10 June 2023. The Draft Audit Report was issued to the Government on 30 December 2022. Replies of the Department endorsed by the State Government were received on 7 February 2023 and an exit conference was held on 29 May 2023. The replies furnished by Government have been suitably incorporated.

Acknowledgement

2.1.9 Audit acknowledges the co-operation extended by the officers of the Department and Notified Institutions in facilitating the smooth conduct of the Audit.

Audit Findings

2.1.10 The audit findings are discussed in the succeeding paragraphs. The views of the Department, wherever received, have been considered and suitably incorporated in the Report. The findings have been divided into six sections.

Budget, Expenditure and Planning

2.1.11 The State Government provides funds to Hindu Religious institutions by way of grants under various schemes *viz.*

- Grant for Construction/Repairs/Renovation/Development;
- Tasdik;
- Varshasane or Annuity;
- Aaradhana, Schedule Caste Sub Plan (SCP) and Tribal Sub Plan (TSP);
- Rudrabhoomi Development Scheme.

Financial Assistance is also provided to Manasa Sarovara Pilgrims and Chardham Pilgrims, various religious mutts, *etc.* The year-wise details of grants earmarked in the budget by the State Government, grants released to the Department and expenditure incurred during five years are tabulated below:

Table No.2.1.2: Details of Budget, Release, Expenditure and Lapsed

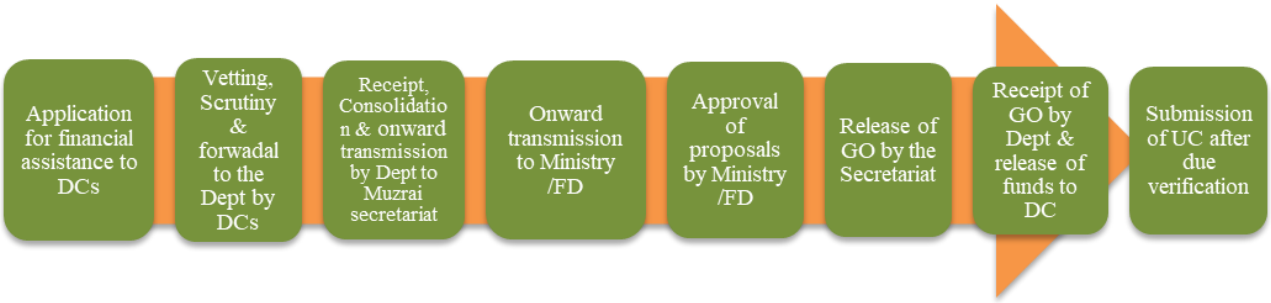
(₹ in crore)

Sl. No.	Year	Amount earmarked in Budget	Amount released	Total expenditure incurred	Grant lapsed *vis-à-vis* Budget	Grant lapsed *vis-à-vis* Release
1	2017-18	450.80	447.28	438.50	12.30	8.78
2	2018-19	284.25	248.78	206.10	78.15	42.68
3	2019-20	300.95	294.03	272.61	28.34	21.42
4	2020-21	465.13	465.10	451.15	13.98	13.95
5	2021-22	344.39	308.12	295.07	49.32	13.04
	Total	**1,845.52**	**1,763.31**	**1,663.43**	**182.09**	**99.87**

The Head of account-wise expenditure is listed out in the ***Appendix-6.***

The Commissioner of the Department instructed (January 2015) that any proposal which required funds for development, renovation or capital works, shall be routed through proper channel (*Refer chart below)*.

Chart No.2.1.2: Fund flow process



In other words, the proposal was to be submitted by the temple administration or village level to the Tahsildar, who in-turn would forward it to the Deputy Commissioner and subsequently to the Commissioner/Government. Based on the merit of the requirement and the availability of the funds, grants were to be released.

Audit examined the grants given through the above schemes in the test-checked districts. There were irregular releases, wide disparities in releases between Muzrai and notified temples, excess releases of grants to the same institutions from multiple schemes and non-submission of Utilisation Certificates as discussed in the following paragraphs.

Irregular procedure, sanction and release of grants

2.1.11.1 Audit observed that grants were released to religious institutions without proposals in the test-checked 11 districts which are depicted in the table below:

Table No.2.1.3: Details of grants sanctioned without proposals

Sl. No.	Year	No. of proposals Received	No. of grants sanctioned against proposals	No. of grants sanctioned without proposals
1	2017-18	45	5	459
2	2018-19	25	2	286
3	2019-20	18	10	699
4	2020-21	26	2	644
5	2021-22	20	1	748
	Total	**134**	**20**	**2,836**

As against a total of 134 proposals received by the field offices, grants were released only to 20 Religious Institutions. Further, the Department released grants to a total of 2,836 Institutions during the period 2017-18 to 2021-22, for which no proposals were received.

Audit observed that there was no discernible system prevalent for selection of eligible institutions for grant of funds. The practice of releasing grants without any proposals may lead to a situation where grants could be released without verification of institutional requirements and without control over the expenditure, while needy eligible institutions may be deprived of funds.

For instance, in Bangarpet taluk and Malur taluk of Kolar district, proposals were received from Archakara Sangha seeking grants for repairs and renovations of 29 Group-C Notified Institutions which were in dilapidated conditions. However, none of these were considered.

A similar instance was found during the joint inspection of one institution (Shri.Malleshwara Swamy Temple, Chikkanahalli, Tumakuru District), which was in dilapidated condition had sought grant of ₹ 15 lakh from the Government during the year 2017. However, the Temple was not allotted any Government grants till date (November 2022).

The Government forwarded (February 2023) the reply of the Commissioner stating that the proposals received from Muzrai minister/elected representatives/CM offices/DC offices, were forwarded to Government for its consideration and the grants would be released based on the availability of grants/ need basis with the concurrence of Finance Department.

The reply is not specific and lacks justification for release of funds without any proposals.

Recommendation 1:

The Government may take suitable action to introduce a robust system for processing proposals for and releasing grants.

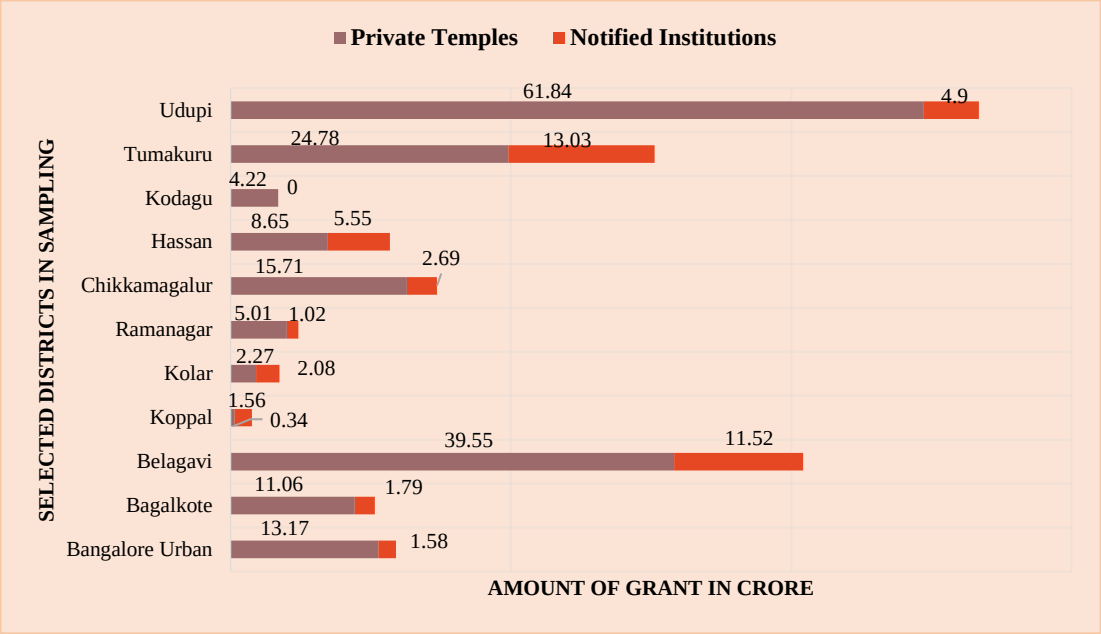
Disparity in release of grants

2.1.11.2 The Government observed (October 2013) that since 80 *per cent* of the general grants were being released to Private Temples resulting in Muzrai Temples struggling for existence, it was directed to ensure 50 *per cent* of the grants each shall be earmarked to the Muzrai Temples and Private Temples.

Audit observed that out of total 2,856 Religious Institutions in the selected 11 districts, which received grants during the period from 2017-18 to 2021-22 from GoK, only 592 institutions were Muzrai Temples and the remaining 2,264 were Private Temples. The grant outlay to Muzrai Temples was ₹ 44.48 crore as compared to ₹ 187.81 crore to the Private Temples.

The sanction of grants to Notified Institutions *vis-à-vis* Private Temples during last five years from 2017-18 to 2021-22 in the selected 11 districts is depicted in the following chart:

Chart No.2.1.3: Disparity in sanction of grants between Notified Institutions and Private Temples



Audit further observed that during the years 2019-20 to 2020-21, sanction of grants to Udupi district rose from ₹ 0.46 crore during 2018-19 to ₹ 17.20 crore during 2019-20 and ₹ 29.28 crore during 2020-21. After mid-2021, sanction of grants to Belagavi district increased from ₹ 14.32 crore in 2020-21 to ₹ 24.34 crore in 2021-22. Effectively, out of the total grants of ₹ 232.32 crore sanctioned and released for the selected 11 districts during the five-years from 2017-18 to 2021-22, the funds to Udupi and Belagavi districts aggregated to ₹ 117.81 crore *i.e.* more than 50 *per cent* of the total grants sanctioned and released and only ₹ 114.51 crore was sanctioned and released for the remaining nine districts put together.

The department did not conduct any study on the requirement of the grants prior to fixing the cap of 50 *per cent vis-à-vis* notified and Private Institutions. Further, the Department had not adhered to its own circular resulting in disparity in sanction of grants to the Muzrai temples.

The Government forwarded (February 2023) the reply of the Commissioner stating that grants would be sanctioned at Government level itself to the needy religious institutions and the Commissioner's office execute the same as per the rules.

The reply is not acceptable as the Government had not ensured 50 *per cent* of the grants to Muzrai temples as per its own circular. Further, a specific reply has not been furnished for each of the Audit observations.

Recommendation 2:

The Government may take suitable action to ensure systematic and equitable allotment of funds to Notified Institutions by way of grants.

Release of excess grants

2.1.11.3 GoK stipulated (September 2010) that the release of grants to respective DCs for implementing the Scheme, was to be limited to the extent prescribed in the Scheme Guidelines and as such, the maximum limit for Muzrai Temples was ₹ 10 lakh, for Private Temples ₹ 25 lakh and that of Mutts was fixed at ₹ 50 lakh. Grants involving more than ₹ 5 lakh were to be released in two instalments. Second instalment was to be released only after obtaining UCs for the first instalment from the institution concerned.

Audit noticed 61 instances (33 Notified Institutions and 28 Private Temples) in selected districts (except Kodagu) for which general grants in excess of the prescribed amount were released which ranged from ₹ 1 lakh to ₹ 3 crore and the excess grants amounted to ₹ 39.79 crore ***(Appendix-7).***

The Government forwarded (February 2023) the reply of the Commissioner stating that the grants would be sanctioned at Government level and released based on the availability of grants and on needy basis. The grants sanctioned by the Government would be released to the concerned DCs, who in-turn release to Religious Institutions through Tahsildars after preparing estimates followed by technical sanction and ensuring the records relating to development works.

The reply is silent on reasons for non-compliance to the sanction limits prescribed in the GoK orders.

Sanction of multiple grants to same institution

2.1.11.4 In eight out of the 11 test checked districts, Audit found 79 instances aggregating ₹ 5.13 crore, where the same institutions were sanctioned grants from multiple schemes *viz. MLA funds, SCP/TSP, Aradhana, Rudrabhumi, etc.* Out of these 79 instances, there were 17 instances where the sanction was accorded under more than two schemes to the same institutions ***(Appendix-8)***.

In one instance, (Sri Shanimahatma Temple, Srinivasapura Taluk, Kolar district), the Department had sanctioned funds under multiple schemes amounting to ₹ 1.20 crore which included grants under SCP scheme also (₹ 5 lakh). Audit could not ascertain from the records if the institution was eligible to be granted funds under the SCP scheme. The sanction also included grants which were adjusted by diverting funds sanctioned to another temple during 2021-22. In another instance (Uchila Mahalakshmi Temple, Udupi district), an amount of ₹ 12.75 crore was released between 2019-20 to 2021-22 deviating from the cited Government instruction.

Thus, if grants were sanctioned and released to the same institutions from multiple schemes, the process discriminates against numerous other needy institutions and defeats the very purpose of provision of Government grants to such institutions.

Recommendation 3:

The Government should take action to fix responsibility for irregular/ excess release of grants.

Release of grants at fag end of the year

2.1.11.5 As per Article 161 (2) of the Karnataka Financial Code, only so much of the grant to be paid during any financial year should be limited to the probable expenditure during the year. The authority signing or countersigning a bill for grant-in- aid should ensure that money was not drawn in advance of requirements. There should be no occasion for a rush of payment of these grants in the month of March.

Audit observed that out of a total of ₹ 476.12 crore of general grants released during the five-years from 2017-18 to 2021-22 to the religious institutions, ₹ 216.38 crore (45 *per cent*) was released during the last quarter and ₹ 148.42 crore (31 *per cent*) was released in the month of March alone, in violation of the statutory provisions. The practice of releasing grants at the fag end of the year reflects poor financial management on the part of the Department. As a result, the Religious Institutions would not be able to expend the released amount for the purpose for which it was released, within the stipulated time and may sometimes lead to lapse as discussed in the following paragraph.

The Commissioner, in the reply forwarded by the Government accepted (February 2023) the observation and stated action would be taken to get proposals from Districts/Taluks in advance. Further, Department would request the Government to release the grants in equal proportions in a financial year by adopting a proper action plan to address this issue.

Non-submission of Utilisation Certificates (UCs)

2.1.11.6 As per the provision of the Karnataka Financial Code, the departmental officer/sanctioning authority is required to furnish an Utilisation Certificate to the Accountant General specifying that the grant has been utilised for the purpose for which it was granted, after obtaining such reports in respect of such expenditure as may be necessary.

Audit observed that Utilisation Certificates for general grants amounting to ₹ 203.34 crore out of the total grant of ₹ 226.53 crore were pending submission over the last five years, in the selected districts as detailed hereunder:

Table No.2.1.4: Statement showing non-receipt of Utilisation Certificates

(₹ in crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	Total
1	Release of Grants	22.97	19.335	43.45	84.785	55.99	226.53
2	UCs submitted	5.93	2.04	2.84	10.425	1.96	23.195
3	UCs pending	17.04	17.295	40.61	74.36	54.03	203.335

Out of the total of ₹ 226.53 crore general grants released by the Department an amount of ₹ 39.45 crore *i.e.* 17 *per cent* was not even released to the beneficiaries and had been parked in the savings bank accounts of the Deputy Commissioners' at the District level.

Poor progress of Aradhana Scheme and SCP/TSP

2.1.11.7 Grants under Aradhana Schemes and Schedule Caste Sub Plan (SCP)/Tribal Sub Plan (TSP) and Aradhana Schemes would be released for Renovation /repairs /new construction of Temples/Prayer hall/Kalyana Mantapas in the places resided by families of Scheduled Castes and Scheduled Tribes.

The Department released ₹ 47.51 crore to the 11 test checked Districts under these schemes during the period 2017-18 to 2021-22. Out of the released amount, the Department could approve 1,627 works amounting to ₹ 20.33 crore. Out of the approved works, only 493 works (₹ 7.92 crore) were taken leaving a balance of 1,134 works (₹ 12.41 crore). Neither had the DCs/Tahsildars identified the beneficiaries nor were they able to expend upon the identified works, resulting in dismal performance of the flagship schemes. Further, out of the released grants of ₹ 7.92 crore, UCs to the extent of only ₹ 2.51 crore were furnished by the beneficiaries. UCs for a balance of ₹ 5.41 crore were not furnished.

The Department's failure to execute works in a timely manner has delayed intended benefits to the targeted communities.

The Government forwarded the reply of the Commissioner (February 2023) which stated that letters had been written to all DCs seeking UCs for the released amount and the same will be furnished upon receipt. Further, the reply is silent on the individual observations.

Unspent Balances

2.1.11.8 Audit observed that grants released towards general grants, SCP/TSP, Aradhana and Rudhrabhoomi schemes were kept in Savings bank accounts at District and Taluk Offices instead of paying to the Temples/beneficiaries. These accounts in the test checked 11 Districts had an accumulated balance of ₹ 126.75 crore (*i.e,* ₹ 51.20 crore in DC offices and ₹ 75.55 crore in Taluk offices) as at 31 March 2022. The amount remains unspent for the purpose for which it was granted.

There are no specific norms as to how many accounts an office shall maintain, whether the accounts are to be maintained on a scheme basis, or if a particular account is required to be opened up afresh, the prompt closure of the existing account and transfer of funds to the new account, preparation of Bank Reconciliation Statements, *etc.* This is indicative of the absence of internal controls.

The Government forwarded the reply of the Commissioner (February 2023) which stated that letters had been written to all DCs seeking UCs for the released amount and the same will be furnished upon receipt.

Recommendation 4:

The Government may issue suitable directions to field offices to ensure that the grants are actually spent for the purpose for which they are granted and are not kept in Bank accounts indefinitely and also that the bank accounts are maintained systematically for scheme-wise receipt and disbursement of grants.

Lack of uniformity in procedures and instructions

2.1.11.9 In 11 test checked Districts offices, Audit noticed that the procedure adopted to disburse grants to Religious Institutions varied from one District to another, which are broadly classified as under:

Table No.2.1.5: Statement showing different practices in selected districts

Funds released after completion of work	Funds released to implementing agencies & monitored by them	Funds released directly to temples	Funds credited in temple accounts maintained by the Tahsildar
Udupi, Chikkmagaluru	Chikkmagaluru, Kodagu, Bangalore Urban	Belagavi, Bagalkote, Koppala, Kodagu, Udupi, Bangalore Urban	Tumakuru, Hassan, Chikkmagaluru

Thus, there was no uniformity in the methods adopted by various District units of the Department in the release and expenditure of grants-in-aid.

The Government's reply in this regard is awaited (February 2023).

Audit observed that grants were released in an *ad hoc* manner ignoring the needs and priorities of different temples. Financial management of the schemes was poor and resources were unevenly allocated. Releases at the fag end of the year, lack of monitoring submission of Utilisation Certificates and unspent balances indicated lack of adequate financial control by the Department.

Recommendation 5:

The Government should introduce standard operating procedures for making the payment to the intended beneficiaries.

Execution of works and other expenditure

2.1.12 The Department releases grants to needy temples to ensure adequate temple development and to provide basic infrastructure and amenities to Pilgrims. Audit checked the utilisation of grants in temples and observed that there were inordinate delays in execution of works, discrepancies in estimates and work executed and lack of monitoring. These issues are discussed below:

Inordinate delay in execution of the works sanctioned.

2.1.12.1 In Chikkamagaluru district, there were inordinate delays in execution of the 22 works which were sanctioned under general grants during the period 2012-13 & 2013-14 amounting to ₹ 55 lakh. The grants were released

(2018-19) after a lapse of more than six years. The released amounts were still kept idle in bank accounts without utilising for the purpose for which it was earmarked till date (November 2022).

Similarly, in Tumakuru District, the DC granted (December 2016) administrative approval to the estimate (₹ 1 crore) for construction of Guest House at Shri.Lakshmi Narasimhaswamy Temple, Tiptur Taluk. However, the work did not commence as the administrative approval was not communicated to the Executive Engineer, Buildings Division of PWD. As a result, funds amounting to ₹ 1 crore were left unutilized in PWD's account for the last nine years.

In another instance, the Department had sanctioned (February 2012) a grant of ₹80 lakh towards construction of Guest House at Shri Bhagandeshwara Temple, Bhagamandala in Kodagu District. However, the work was not executed due to frequent changes in the estimates and designs. Finally, the DC accorded (August 2022) approval to the estimate (submitted by EE, PWD) after several changes made from 2019 to 2022. The intended benefits were not available even after the lapse of ten years.

The Government's reply in this regard is awaited (March 2023).

Discrepancies in estimates submitted for release of grants

2.1.12.2 An estimate is a valuation in advance of the amount for which certain work can be done. It is an approximate calculation or measurement, based on the Departmental rates published by respective circles at the time of preparation, generally in writing specifying the amount of money for which a contracting party is likely to perform certain work. An estimate describes the item wise particulars of supplies to be made and work to be done.

Audit noticed in 3 institutions across 2 selected districts that actual execution of works was not in consonance with the estimates as brought out below:

- In a work estimate related to Brahmalingeshwara Saparivara Temple, Udupi District, provision for laying fresh 'New Mangalore tiles' for roofing was proposed. However, in the photograph attached to completion report, Audit noticed that old and used tiles were used for the work.
- In another estimate related to Kalkuda Temple, Udupi District, items of work included sheet roofing with trapezoid sheet over MS tubular truss & purlins. However, during joint inspection after completion of work it was noticed that the work did not involve any works relating to MS tubular truss.
- In Sri Durga Devi Temple, Belagavi District, the estimates contained the item of burnt bricks. However, the work was executed with cement bricks.

The Government forwarded the reply of the Commissioner (February 2023) stating that a report is sought from the DC regarding the works of the three temples and action would be initiated upon receipt of the same.

2.1.12.3 Each civil work requires the field engineer to conduct field inspections and prepare a line estimate which depicts the actual requirements of work proposed to be executed.

An amount of ₹ 1 crore was sanctioned (March 2021) for Ramanagara constituency, which included 41 Private Temples and 9 Muzrai Temples and released to the DC, Ramanagara. Based on the directions of the Additional Deputy Commissioner, Ramanagara, to submit the estimates, PRED submitted 15 estimates (May 2022) and Nirmithi Kendra submitted 35 estimates (June 2022) respectively. The list of works was sanctioned by the Department at ₹ 2 lakh each for the 50 institutions.

Audit observed that both PRED and Nirmithi Kendra prepared estimates for the same four[14] Temples out of total 50 Temples. After observing the same by Audit, the Department has taken action to rectify its fault by calling for estimates of the left out four temples. This indicates lack of exercise of due diligence by the Department in verifying the estimates.

The Government forwarded the reply of the Commissioner (February 2023) which stated that a report is sought from the DC and action would be initiated upon receipt of the same.

Lack of monitoring of works

2.1.12.4 The Government Orders releasing grants categorically directs the district offices to ensure that the provisions of KTPP Act be followed in execution of works. As per the practice in vogue, the estimates were prepared by the implementing agencies such as PRED, Nirmithi Kendra *etc.* and submitted to the Department as documentary support for release of grants either prior to the execution of work or post execution of work.

Audit observed that the Temple authorities in 9[15] out of the 11 test checked districts had awarded total 2,170 works each ranging from ₹ 1 lakh to ₹ 3 crore. The works were executed by the Temple authorities by engaging local workers/contractors. In none of the cases, the works bills were made available to ensure that the works were properly completed and payments were made to the concerned workers/contractors. In none of the cases, the execution of works was monitored by the agencies who prepared the estimates. No UCs were obtained from those temple authorities by the monitoring authorities confirming that the grants were utilised for the purpose for which they were granted.

Thus, there is no guarantee that the grants released to the Institutions were utilised for the intended purposes.

[14] Kottehalli village-Shri.Veerabhadrashwara Temple, Kannamangala Doddi village-Sri.Maramma Temple, Gollaradoddi village-Sri.Munishwarasami Temple and Manamonna Halli village-Sri.Basavanna Temple.

[15] Except Chikkamagaluru and Tumakuru Districts.

The Government forwarded the reply of the Commissioner (February 2023) and stated that grants were released duly following the guidelines issued in the year 2010. However, the reply is silent about non-availability of works bills with Temple authorities.

Poor quality of work

2.1.12.5 In Ramanagara District (Sri Narasimha Swamy Temple, Magadi), an estimate for construction of Samudaya Bhavan was sanctioned by PWD during 2011-12 for ₹ 90 lakh. Work was tendered and final bill was submitted during 2015. During Joint inspection, it was noticed that the pillars of the building had sunk and were detached from the beam/ceiling of the building. There were multiple seepages, damages and cracks in the walls. The terrace of the building was damaged due to blockages formed by accumulation of stagnant water.

Since the base structure itself appears unsound, the safety of the pilgrims could be a matter of concern.

Picture No.2.1.1: Samudaya Bhavana, Sri Narasimhaswamy Temple, Magadi Talluk.

The Government forwarded the reply of the Commissioner (February 2023) which stated that it would initiate action after receiving the report from DC, Ramanagara.

Audit observed that after release of grants and sanction of works, there was no mechanism in place to follow up and ensure proper execution. This directly impacted the quality of works and the durability of assets created. Since grants are given out of public funds, Department should ensure effective monitoring for prompt implementation of sanctioned works.

Recommendation 6:

The Government should introduce a robust system for monitoring the execution and completion of the works and fix responsibility for poor quality of work done by Government agencies.

Disbursement of Statutory Payments

Audit also analysed the distribution methodology of statutory payments such as the Tasdik grants and Varshashane. This exercise revealed that there were procedural irregularities in releases and payments released without proper documentary evidence.

Disbursement of Tasdik grants

2.1.13 Compensation in the form of Tasdik, payable to the identified beneficiaries under the Inam Abolition Acts[16], was progressively fixed at ₹ 24,000 for 2015-16 to 2016-17, ₹ 48,000 for 2017-18 to 2021-22 and ₹ 60,000 from 2022-23 onwards respectively.

The Department instructed (November 2020) that every year the Archakas (priest) of the Group-C Notified Religious Institutions should furnish a self-declaration affidavit, where income was upto ₹ one lakh; or through the Village Accountant (VA)/ Revenue Inspector (RI) report to the concerned Tahsildar of the respective Taluk where income was more than ₹ one lakh. The self-declaration or the VA/RI report shall contain the relevant identification details, bank details, *etc.* Based on self-declarations received from Archakas, VA/RI reports, e-payment would be initiated to the Archaka's account.

2.1.13.1 Audit noticed that there was no standard procedure for the disbursement of Tasdik grants. The Districts followed different procedures as discussed hereunder:

- During the year 2021-22, out of the total 13,940 Institutions, which were beneficiaries of Tasdik, across 64 taluks of the 11 test checked districts, 12,923 Institutions (92.70 *per cent*) had not furnished self-declarations as mandated. In the absence of mandatory document verification, Audit is not clear how the department ensured that the Tasdiks were dispensed to the intended beneficiaries.
- In Taluks of Chikkamagaluru, Kolar, Tumakuru, Hassan, Ramanagara and Koppala Districts, the Tahsildars maintain a savings bank account in the name of the temple. As and when the instalments of the Tasdik were released by the Government, the tahsildar credits the amounts directly to the temple account so maintained. Based on the clearance presented by the Revenue Inspector/Village Accountant, e-payment was done to the registered priest who was conducting the pooja in the temples.
- In Belagavi, Bagalkot and Kodagu districts, the amount was directly credited to the temple priest through e-payment from Khajane-II. In Udupi District, the amount was credited to the temple management whereby, the subsequent credit or non-credit of the Tasdik amount to the beneficiary could not be verified by the Department at all.
- In the test checked 11 districts, out of a total Tasdik grant of ₹ 331.83 crore (13,850 Religious Institutions) during the period 2017-18 to 2021-22, an amount of ₹ 66.93 crore was lying undisbursed in multiple savings bank accounts of Taluk maintained by the concerned Tahsildar. In addition to the above, an amount of ₹ 11.39 crore had also lapsed in Taluks of Koppala and Belagavi Districts.
- In 30 instances across 5 districts, the VA/RI/Tahsildar had reported that neither the institution exists nor any pooja activities were conducted. In

[16] Karnataka Inam Abolition Act 1955 and Karnataka Other Inam Abolition Act 1977

all the cases, the amount was consistently being credited into the temple account. However, in 5 cases (in Belagavi and Tumakuru Districts), the amount was also disbursed to the priest/individual in violation of the Tasdik guidelines.

- The Department didn't take subsequent initiatives to ascertain the credentials to reduce the Tasdik grants. The Tasdik disbursed in these cases worked out to ₹ 44.74 lakh. ***(Appendix-9).***
- During joint inspection of Kote Veeranjaneya Temple, Tudipete, Chikkamagaluru district, two Tasdik were credited to two different beneficiaries, whereas there was only one temple. Joint inspection also confirmed the absence of a structure in the location. In another instance (Sri Chowdeshwari Temple, Mulabagilu Taluk), the Tahsildar had reported the non-existence of the temples. However, the Tasdik was regularly being released in both these cases.
- Audit noticed double payments of Tasdik instalments with respect to 26 cases pertaining to four[17] test checked districts aggregating to ₹ 10.62 lakh, wherein the instalments were released to beneficiaries who were already paid for the same quarter. ***(Appendix-10).*** The excess disbursements made in this regard should be adjusted in the subsequent payments.

2.1.13.2 The Department had specified (9 February 2011) that an Archaka shall be allowed to conduct pooja for two different temples based on his vamsha parampare or family tree. It was also directed that if more than two temples were being catered to, then the Tasdik amount shall not be released to the Archaka but shall be credited in the bank accounts of the respective temples.

Audit noticed that in 2 districts (Kolar and Bangalore Urban), 40 priests were stated to be performing pooja in 231 Notified Institutions and were allowed to receive the Tasdik amounts aggregating to ₹ 1.11 crore relating to all Notified Institutions during the year 2021-22. ***(Appendix-11).***

Most of the poojas were conducted during the same time frame of a given day. In one instance a single priest was stated to be conducting the poojas/rituals in 20 temples of Mulabagilu Taluk in addition to 4 other temples in Kolar taluk. In such a context, conducting of daily rituals in multiple places, by the same Archaka defies logic. In most of the cases, the location of temples are spread over geographically. However, the Department within a span of a few days, revised (28 February 2011) the circular which allowed the Archakas to receive Tasdik from more than two temples without any restrictions. The initial circular of the department was *prima-facie* justifiable and in the right direction.

2.1.13.3 Audit noticed that in 22 cases across 6 districts, the Tasdik disbursements were doubtful/ fictitious in nature to the tune of ₹ 35.69 lakh ***(Appendix-12).***

[17] Belagavi, Chikkmagaluru, Tumakuru & Udupi.

- In two cases (Sri Anjaneya Swamy Temple, Kadur and Sri Vinayaka Devaru, Kadur) of Chikkamagaluru District, transactions were initiated from an inactive temple account to another account. In both these cases, there were no Tasdik disbursements to the priests over a long period of time and the Tasdik amounts had accumulated over the years. Audit noticed that attempts were made to electronically transfer funds from these accounts, which were not successful.

- In two cases (Sri Kamaleshwara Temple, Koppala and Sri Kanderaya Temple, Belagavi) the VAs reported lack of interest of the priests in availing Tasdik benefits. However, instead of reporting the same to the budget wing, the amount had repeatedly been credited.

- In one case (Sri Ambabai Temple, Khanapur), there were two bank accounts for the same priest and in another instance (Sri Brahma Devasthanam, Khanapur), two priests had the same Account Number and IFSC code.

The Government forwarded the reply of the Commissioner (February 2023) which stated that circulars had been issued to follow uniformity in disbursement of Tasdik and that letters had been issued to all DCs to take action against the concerned employees responsible for making double/doubtful Tasdik payments. Further, the reply is silent on the individual observations.

Disbursement of Varshasane[18]

2.1.13.4 The Taluk offices disburse the Varshasane and are the custodians of the Annuity Bond, which is the source document that authorises the institution, a claim on the compensation under the Karnataka Land Reforms Act, 1961. The document contains the details of the land, survey numbers, locality and the extent of land which was vested with the Government. These documents are primary source of records through which the existence or otherwise of an institution is ascertained by the field level offices.

Audit observed that:

- Out of 861 beneficiaries, in respect of 825 beneficiaries none of the Taluks (*except Tiptur of Tumakuru district and Belagavi Taluk*) in the test checked districts had kept the annuity bonds on record. In addition to the above, the RI/VA reports in respect of 808 beneficiaries were also not kept on record. Non-availability of these documents leads to lack of authenticity of the disbursements of the compensation.

- In three[19] out of the 11 districts, a sum of ₹ 4.06 crore was undisbursed during last five years. For instance, in Sakaleshpur taluk alone an amount of ₹ 69.60 lakh was released by the Government as Varshasane over the last five years, out of which ₹ 51.44 lakh was lying idle in the bank accounts. In Belagavi district, even after not being able to expend

[18] "Varshasane" (also called Annuity) is a compensation paid to the Religious Institutions whose lands are vested with the Government under Karnataka Land Reforms Act, 1961.
[19] Belagavi, Hassan & Koppala.

the amounts released under Varshasane over the years, fresh demands were raised every year.

The Government forwarded the reply of the Commissioner (February 2023), which stated that letters had been written to all DCs to maintain annuity bonds and to furnish the detailed report on non-release of Varshasane to the intended beneficiaries.

Further, the reply is silent on the individual observations.

Such arbitrary releases and irregular disbursement show the lackadaisical approach of the Department in distribution of Statutory payments.

Recommendation 7:
The Government should ensure the disbursal of Tasdik and Varshasane grants to the intended beneficiaries regularly and no amount is kept idling in bank accounts by the Department.

Monitoring of Notified Institutions

2.1.14 The Department, apart from supporting temple development through grants, is also responsible for administration of Notified Institutions**.** The Act envisages Supervisory control over the Notified Institutions by various means. The deficiencies noticed in monitoring of Notified Institutions are discussed in subsequent paragraphs.

Deficiencies in survey and maintenance of properties

2.1.14.1 As per Section 31 of the Act, the State Government may appoint an Endowment Survey Officer for the purpose of making a survey of all the properties of the Notified Institutions in the State.

As per Rule 3 of the Act, Sub-Divisional AC is the competent officer in charge of Grade-C temples and DC for Group-A & B temples. Further, as per the Public Premises (Eviction of Unauthorised Occupants) Act, the ACs and Tahsildars are authorised officers for eviction of unauthorised occupants. The details of cases of survey conducted and encroachment reported are depicted in the table below:

Table No.2.1.6: Statement showing details of encroachment

Sl. No.	Group of Institution	No. of Institutions	Survey done	Encroachment reported (No's)	Extent of encroachment
1	A	205	72	27	354 acres 23 guntas
2	B	139	54	10	3 acres 9 guntas
3	C	34,219	4,543	159	278 acres 4 guntas
Total		**34,563**	**4,669**	**196**	**635 acres 36 guntas**

The issue on survey and eviction of encroachments which require concerted efforts from the ancillary departments of the Revenue *as-well-as* the Survey Settlement and Land Records. Though numerous correspondences to various related departments at both the apex level and at the district level were initiated by the Department, to set the tempo of conducting survey and identifying the

Muzrai properties, no measurable progress could be observed in terms of coordination and improvement in the survey of Notified Institutions.

The Government forwarded (February 2023) the reply of the Commissioner which stated that action has been initiated to conduct survey by department itself as expected co-operation was not received from Survey (Revenue) Department. Further, letters have been written to all DCs requesting them to make necessary changes in RTCs and to notify in the gazette.

The reply regarding lack of co-operation from the Revenue Department is indicative of failure at the Government level in ensuring co-ordination between its departments, which has led to lack of action for removal of already existing encroachments.

Recommendation 8:

The Government should ensure proper coordination among its departments and ensure that the survey of Muzrai properties are completed early, encroachments are removed and land records are rectified and updated. Action may be taken to fix responsibility for inaction on survey and documentation of Muzrai properties.

Deficiencies in preparation and submission of budget proposals of notified institutions

2.1.14.2 The Section 36 of the Act stipulates that the Chairman, Manager or the Executive Officer of a Notified Institution[20] shall within ninety days before the close of every financial year, file in such form as may be prescribed a budget showing the probable receipts and disbursements of such institution during the following year, along with actual income and expenditure for the preceding year The receipts portion shall comprise of the income proposed to be derived from Hundi collections, Tasdik, annuity, Cash grants, Jathra, Rathotsava and Sevartha fees, interest on deposits, money orders, rent from land and building and such other income as may be prescribed.

Group-A & B Institutions had in general prepared the AFS and submitted to the Department. However, out of total 344 Group-A & B Institutions, the Institutions which had not furnished Budget Statement and Income and Expenditure Statement for the preceding year during the years 2017-18 to 2021-22 are tabulated below:

Table No.2.1.7: Statement showing institutions which had not furnished annual budget proposals.

Sl. No.	Year	Number of Institutions not submitted annual budget proposals		
		Category – A	Category - B	Total
1	2017-18	4	9	13
2	2018-19	3	12	15
3	2019-20	4	14	18
4	2020-21	9	25	34
5	2021-22	7	18	25

[20] Not applicable to Notified Institutions whose gross annual income do not exceed ₹ one lakh.

Further, out of a total of 15,467 Group-C Religious Institutions in 11 selected districts, none of the religious institutions had submitted budget proposals during the last five years.

The absence of budget proposals indicates poor control over the financial affairs of the Institutions by the Department and directly impacts the collection of common pool fund thereon (as discussed below).

The Government's reply in this regard is awaited (February 2023).

Common Pool Fund

2.1.14.3 Section 17 of the Act provides for creation of a Common Pool Fund by RDP by way of contributions from Notified Institutions at the rate of 10 *per cent* of the net income in respect of Institutions whose gross income exceed ₹ 10 lakh and five per cent of the net income in respect of Institutions whose gross income exceed ₹ 5 lakh but not exceeding ₹ 10 lakh and grants from State Government . Unused grants for construction, repairs and renovations of Religious Institutions, funds of defunct Hindu temples and any other sum as the Government may direct may be transferred to the Fund on the orders of the Government. The Common Pool Fund was to be utilized as per the provisions of the Act with the prior approval from RDP. The fund is kept outside the Government accounts and is managed by the Commissioner (HRICE).

Collection of Common Pool Fund

2.1.14.4 Audit noticed from the data submitted by Group-A & B Institutions that an amount of ₹ 35.69 crore was to be contributed to Common Pool Fund during 2017-18 and 2019-20 to 2020-21. However, there was a short remittance of ₹ 15.23 crore as detailed in the table below:

Table No.2.1.8: Statement showing short receipt of Common Pool Fund

(₹ in crore)

Sl. No.	Year	CPF share to be remitted as per net income of the Institutions			Actual remittance	Short receipt
		Category - A	Category - B	Total		
1	2017-18	12.38	0.70	13.08	11.21	1.87
2	2019-20	13.28	0.75	14.03	6.85	7.18
3	2020-21	8.05	0.53	8.58	2.40	6.18
	Total	**33.71**	**1.98**	**35.69**	**20.46**	**15.23**

The contributions were neither demanded from the Institutions nor the reasons for short receipt were recorded by the Department. The receipts of the temples were tracked in an *ad-hoc* manner wherein as and when an amount was credited, the bank scroll was checked and corresponding entries were made in a register. The Department had no system of monitoring the dues of the temples and related remitted amounts pertaining to individual temples as there was no coordination between the accounts section and the budget section of the Commissioner's office, who were entrusted with that task. In certain cases, the Department could not identify the Temple which had contributed to the Common Pool Fund.

The Government forwarded the reply of the Commissioner (February 2023) and assured that demands would be raised based on the actual income and expenditure of the temple. Accordingly, letters had been written to EOs to furnish the income and expenditure details at the end of the financial year. However, the reply is silent about the reasons for short remittance in earlier years.

Disbursement of the Funds

2.1.14.5 The Common Pool Fund is created out of defined contribution from A and B Category temples for the benefit of needy Religious Institutions. The Guidelines (May 2011) issued by the Department also stipulates that the contribution made by A and B Category Temples has to be utilized for the repairs and renovations of C-category temples. However, Audit observed that out of a total disbursement of ₹ 35.47 crore from the Common Pool Fund during 2017-18 to 2021-22, only ₹ 6.22 crore (i.e.17.53 per cent) was granted to 119 Notified Institutions, whereas ₹ 29.25 crore (i.e.82 per cent) was granted to 792 Private Temples.

Further, the guidelines stipulate an average of three to four recommendations to be submitted for financial assistance in each taluk. However, 262 temples out of the total 919 temples were granted financial assistance from Udupi District alone amounting to ₹ 9.25 crore. Audit also noticed that in three[21] out of the 11 test checked districts alone, there was an unspent balance of ₹ 5.35 crore which underlines the lack of proper administration of the Common Pool Fund.

The Government forwarded the reply of the Commissioner (February 2023) and stated that sanction for release from CPF were made only after detailed deliberations in RDP. The reply is not acceptable as the release of grants to private institutions was against Section 1 and 19 of the Act. The reply is also silent about the large number of releases made to Udupi district alone.

Release of excess Funds

2.1.14.6 The Government stipulated (May 2011) that only 80 *per cent* of the expenditure should be from the Common Pool Fund and the remaining 20 *per cent* to be generated from donations. It was also directed that three to five proposals could be forwarded from each Taluk and a maximum of ₹ 5 lakh only was to be granted to the eligible temples.

The Department had sanctioned financial assistance in excess of the stipulated amount to 16 institutions amounting to ₹ 1.72 crore during the years 2019-20 to 2021-22. Further, there was no mechanism to verify whether the balance amount had been arranged before release of funds from Common Pool Fund ***(Appendix-13).***

The Government's reply in this regard is awaited (February 2023).

[21] Belagavi (₹ 0.60 crore), Udupi (₹ 4.55 crore) & Bagalkote (₹ 0.20 crore).

Recommendation 9:
The Government may ensure systematic allotment of funds to Notified Institutions out of Common Pool Fund contributions.

Poor response to local audit observations raised by State Accounts Department

2.1.14.7 As per Section 37 of the Act, the Chairman, Manager or the Executive Officer of the Group-A temple shall keep regular accounts of the institutions, in such form as may be prescribed and got audited annually. Institutions whose gross annual income was ₹ 5 lakh or more, shall get their accounts audited by the State Accounts Department (SAD). Further, Section 38 of the said Act states that the auditor shall report all cases of irregular, illegal or improper expenditure or failure or omission to the EO/AC or DC as the case may be.

Further, Section 39 provides for rectification of defects disclosed in audit and for recovery of the loss caused to the institution. Audit observed that:

- Out of the total 205 Group-A and 139 Group-B temples, during the period from 2017-18 to 2020-21, local audits were in arrears ranging from two to five years in respect of 46 to 62 Institutions in Group-A and 127 institutions in Group-B. For the year 2021-22, none of the Group-A Temples and only 12 Group-B Temples were audited.

- Out of the 93 Temples (Group-A & B) in the 11 test checked districts, the institutions which were not audited over the past five years, ranged from 51 to 91.

- Further, in Belagavi district, 9 out of the 10 Temples have challenged the authority of the Act and conveyed their displeasure in adhering to the provisions of the Act. Hence had not got their accounts audited by the Local Audit Wing of the Government till date and had also not discharged their liability of Common Pool Fund contribution to the Endowment Department.

- In the audits which were conducted by the SAD, an amount of ₹ 40.53 crore had been objected upon and ₹ 6.65 crore worth objections were brought out for recovery from the concerned temple staff, which was still pending for recovery.

- In one instance relating to Hasanamba temple, Hassan district, the SAD had reported non-remittance of hundi collections to the tune of ₹ 40 lakh.

- In one instance, a bank account (Canara bank) relating to Sri Kabbalamma Temple (A Category) was maintained by the Kanakapura Taluk office from October 2005 onwards till the date of audit. However, neither the DC office nor the Executive Officer of the temple were aware of the account's existence. Also, an amount of approximately ₹ 14 lakh was available in the account during the year 2011.

The Government forwarded the reply of the Commissioner (February 2023) which stated that several letters have been written to Endowment Officers seeking their compliance to the issues/ losses pointed out by local audit and that a letter was written to Principal Director (SAD) to expedite the audit process.

The Department's monitoring of notified institutions was inadequate and directly impacted its supervisory control. The department did not take prompt action to prevent encroachment in notified institutions. Further, it did not ensure that these institutions submitted budget proposals. This resulted in inadequate contributions to the common pool fund and unequal disbursements from the fund. Further, the Department's response towards deficiencies pointed out by SAD was unsatisfactory.

Non-registration of Private Temples under Section 53 of the Act

2.1.15 Section 53 of the Act provides for compulsory registration of all Hindu Religious Institutions, other than temples notified under Section 23 of the Act. Section 53(4) mandates the Assistant Commissioner (AC) to maintain a register and furnish a copy of the same to the DC and the Commissioner. Rule 32A of the KHRICE Rules, 2002 prescribes that if the management of the temple fails to comply with the Section 53, the Assistant Commissioner shall issue registration certificate after assessing the cost of registration with a penalty of not exceeding rupees one thousand to be charged from the funds of the temple.

Audit observed that the department had not maintained a database indicating the number of Private Temples (temples other than the Notified Institutions) in the State. Also, no initiative had been taken so far to assess how many Private Temples were situated in each district/taluk. Even after more than 20 years of the promulgation of the Act, the provisions relating to compulsory registration of Private Temples had not been effectively implemented by the Department.

The Government forwarded the reply of the Commissioner (February 2023) agreeing to the audit observations and stated that letters have been written to all DCs/ACs to prepare a Taluk-wise report of private institutions to be registered.

An updated database of private temples and notified institutions would aid the Department to prioritise grant releases and sanction works between both categories. The absence of this information has resulted in an unequal distribution of grants and other benefits as discussed in the report.

Deficit Manpower

2.1.16 Adequate staff strength is the pre-requisite for systematic functioning of every department to carry out its activities.

Audit noticed that there was huge shortage of staff in the Department. As against total sanctioned strength of 488 in all levels of the Department, men in position were only 227 and deficit was 261 (53 *per cent)*. The post-wise shortage of manpower ranged from 21 *per cent* to 100 *per cent*. In addition, a large number of the existing staffs were given additional charge or direct charge of temple administration of 86 Group-A temples too. Even then, there was a shortfall of

EOs/Temple Administrators to 258 out of the total 344 Group-A & B temples put together.

Audit further observed that the Department's flagship schemes Tasdik, Varshasane, SCP/TSP and Aradhana were directly implemented at the taluk level offices. An expenditure of ₹ 778.06 crore was incurred by the Department during the five-year period of 2017-18 to 2021-22 for all the districts in Karnataka. However, the department had no employees under its payroll and was managed by Revenue Department staff who, apart from managing their regular revenue wings, were given an additional charge of the Department's portfolio.

Further, Section 24 (A) read with Section 6 of the Act defines the Executive Officer as public servant which implies that the emoluments should be debited to Consolidated Fund of the State. The Department had a total of 227 employees in position as on October 2022. However, 162 of the officials were under the HRMS module and 76 officials were drawing salary from the temple funds. The total of these two segments works out to 238. The Department could not ascertain the difference of 11 officers/officials who were in excess of the existing staff position in HRMS, who these officials were, or from where their respective salaries and emoluments were drawn.

The Government forwarded the reply of the Commissioner (February 2023) which stated that correspondences have been made with Government to fill up the vacancies for last ten years. Some vacancies were filled on compassionate ground and further Government agreed to outsource the services of SDA/FDA.

The reply is silent about the discrepancies in HRMS.

Conclusion

The Hindu Religious Institutions and Charitable Endowments Department of Government of Karnataka is responsible for distribution of grants for temple development, exercising supervisory control over temple administration, protecting temple land, etc.

Audit analysis revealed that there was no uniformity in procedure for disbursal of Government grants to institutions and a large number of grants were released without receipt of proposals through laid down channels. Further, Audit observed that there was disparity in release of grants between notified institutions and private institutions. There were instances of excess release of grants in violations of the Department's own circular instructions. There was a rush of expenditure during the month of March resulting in unauthorised parking of funds outside the treasury and non-utilisation funds thereof. Audit also observed huge pendency in submission of Utilisation Certificates by the institutions. These issues indicated weak monitoring, control and inadequate financial management.

During joint inspection and through verification of records, Audit noticed that there were disparities between estimates and actual work executed. The monitoring of schemes and work execution was not satisfactory.

The Tasdik and Varshasana grants, which are statutory in nature, also lay undisbursed with the Tahsildars. Large sums of grants released were kept in bank accounts at the District and Taluk offices without being spent for the purpose for which it was granted.

Further, Audit observed that there was inadequate monitoring of notified institutions. The Department did not make any concerted effort to conduct surveys and ensure eviction of encroachments in properties. The annual budget proposals of the notified A and B category institutions were not received regularly. None of the notified C category institutions in test-checked Districts submitted their annual budget proposals for the last five years. In addition, there was a shortfall in receipt of Common Pool Fund to the extent of ₹ 15.23 crore from notified institutions.

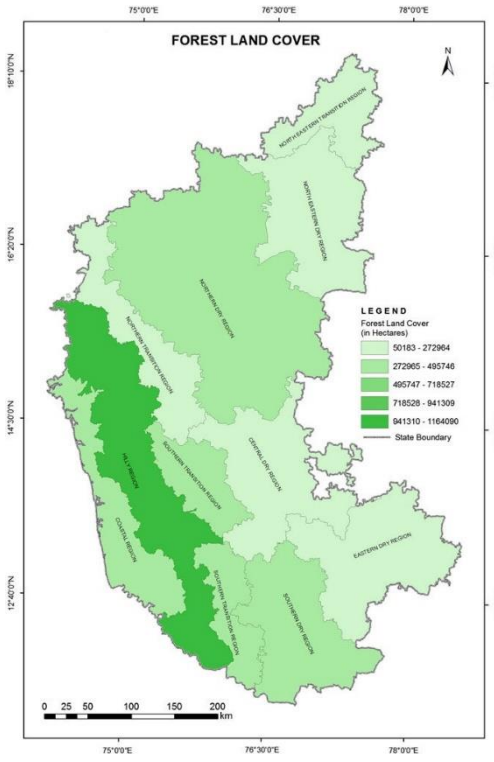
The Department did not ensure the registration of all private institutions as mandated, and this skewed the distribution of benefits. Manpower deficit in the Department hugely affected the capacity to supervise and ensure proper implementation of schemes.

Forest, Ecology and Environment Department

2.2 Management of Forest Offense Cases in Karnataka Forest Department

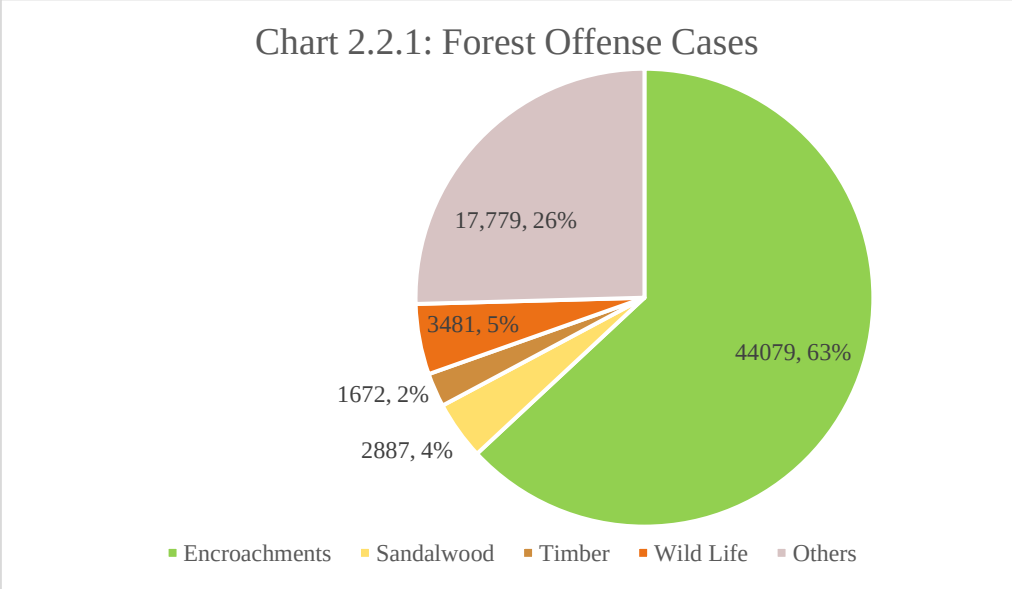
Introduction

2.2.1 The primary mandate of the Karnataka Forest Department is to protect the forests, wildlife and the rich biodiversity of the State and ensure that the ecological balance of the forest eco-systems is maintained. The main functions include boundary consolidation, protection of forest areas from encroachment, illicit-felling, mitigation of human-wildlife conflict, undertaking fire prevention and control measures, etc. Contravention of any provision of Indian Forest Act, 1927 or Rules made thereunder amounts to an offence. Under the Indian Forest Act, 1927, "forest-offence" means an offence punishable under this Act or under any rule made thereunder. Forests and forest produce in the State are governed under the Karnataka Forest Act 1963 (KF Act) and the Karnataka Forest Rules 1969 (KF Rules).



Forest offences are classified into three broad categories, *viz.*, offences against the forest itself, offences in relation to the forest produce in transit, and special offences. The detailed procedures for working of the Department, including instructions for dealing with forest offence cases (FOC), are laid down in the Karnataka Forest Manual, the Karnataka Forest Code and the Karnataka Forest Account Code.

As of 31 March 2022 there were 69,897 FOCs were pending for disposal in the State. The break-up of these FOCs under different categories are given in the following Chart No.2.2.1.



***Others**: Trespassing, illegal grazing, damages caused to fencing, trenches, etc.*

Organisational setup

2.2.1.1 The Karnataka Forest Department is under the administrative control of the Additional Chief Secretary to Government, Forest, Environment and Ecology Department. At the functional level, the Department is headed by the Principal Chief Conservator of Forests, Head of Forest Force [PCCF (HOFF)] who is assisted by PCCF(EWPRT[22]), PCCF(Development), PCCF(Wildlife), PCCF(Forest Conservation) and all the Additional Principal Chief Conservator of Forests (APCCFs) in the department. The Department is organised into 13 circles which are headed by the Chief Conservator of Forests (CCF)/Conservator of Forests (CF). These Circles are further divided into territorial, wildlife and social forestry divisions, headed by Deputy Conservator of Forests (DCF). Under each division, Sub-Divisions are headed by Assistant Conservator of Forests (ACF). Under ACFs jurisdiction there are Ranges headed by Range Forest Officer (RFO), Sections headed by Deputy Range Forest Officer (DRFO) and Forest Guard (FG) are responsible for beats in forest area. The Organisational structure is given as ***Appendix-14***.

[22] EWPRT: Evaluation, Working Plan, Research and Training

Audit Objective, Scope and Methodology

2.2.1.2 The objective of the audit was to ascertain ***whether prescribed system and procedures are being followed for Detection and Disposal of FOCs***. Records related to preventive measures taken by the Department, detection, investigation and prosecution of offense cases and disposal of confiscated material in 13[23] out of 52 Forest Divisions and PCCF office were test-checked between April 2022 and August 2022.

An Entry Conference was held on 30 May 2022. The Draft Audit Report was issued to the Government on 24 November 2022 and an exit conference was held on 13 December 2022 with Principal Chief Conservator of Forests (HOFF). A further meeting to discuss the Draft Audit Report was held with Additional Chief Secretary to Government of Karnataka, Forest, Ecology and Environment Department on 16 March 2023. Replies of the Department endorsed by the State Government were received on 6 April 2023. The replies furnished by Government have been suitably incorporated.

The important findings of the audit are given in the following paragraphs.

Audit Findings

Non-registration of FOCs

2.2.2 The Forest lands in Karnataka have been notified under the Mysore Forest Act 1900, Indian Forest Act, 1927, Madras Forest Act, 1882, Hyderabad Forest Act, 1355F and Karnataka Forest Act 1963. Further, Rule 17 of the Karnataka Forest Rules, 1969, stipulates that all lands notified as forest are required to be mutated in favour of the Forest Department. Further, from 25th October 1980, i.e., from the date the Forest Conservation Act, 1980, came into force, release of any forest land for non-forestry purpose requires prior approval of the Central Government.

As per information furnished by the Forest Department, total forest area granted by Revenue Authorities for non-forestry purposes was about 42,114.09 Ha including 26,599.34 Ha granted after 1980.

Further, Hon'ble Supreme Court of India held[24] (July 2003) that when lands were declared as Reserve Forest, entries in the revenue records were of no consequence. It was also held that mere issue of Saguvali Chits[25] by the Revenue Authorities did not confer any title on land and therefore such occupants of forest land shall be treated as un-authorised occupants. Hence, in all such cases where forest land being used for cultivation on the basis of Saguvali Chits, FOC are to be booked and action to be taken to evict encroachers by the Forest Department.

[23] 8 Territorial Divisions, 3 wildlife divisions and 2 Forest Mobile Squads
[24] State of Karnataka & Ors vs I.S. Nirvane Gowda & Ors Civil Appeal No- 7309-7310 of 1996
[25] Certificate authorising the individual to cultivate the land.

Omission to mutate lands notified as forest lands in favour of Forest Department by the Revenue Department and failure to get land mutated in its favour by the Forest Department were the main reasons for lands continuing to be shown as Revenue lands in Revenue Records.

As per the information furnished by the Divisions, 1.98 lakh Ha of forest land in the selected 11 divisions is yet to be mutated in favour of Forest Department. Incorrect depiction of ownership over the land in Revenue Records can lead to grants of forest lands by Revenue Authorities. As seen in six out of 11 test-checked Divisions, 182.50 Ha of notified forest lands were granted by Revenue Authorities during the years from 2016-17 to 2021-22 (details given in ***Appendix-15***) which was perhaps due to the reason that the lands continued to be shown as revenue lands in the Revenue Records.

No action was taken by the Divisions/ Range Forest Officers to book FOCs in these cases.

In reply Government stated that as per Rule 17 of the Karnataka Forest Rules, 1969, immediately after lands are notified as 'Forest' under the Forest Act, the Deputy Commissioner shall get necessary entries made in the revenue records. The reply also conveyed "this paragraph may thus be kindly directed to the Revenue Department to have a time bound schedule of effecting mutations of land records of Notified Forests where they are pending". However, as an interested party Forest Department is pursuing with Revenue Authorities at Taluka and District levels to Government level. However, details of efforts made by Forest Department to get the notified forest lands mutated were not furnished to Audit.

The reply points to a lack of co-ordination between two departments of GoK leading to failure to effect mutation and consequent grant of forest land for non-forestry purposes by the Revenue Authorities in contravention of the provisions of the FC Act 1980. The Government needs to fix a time frame for completion of the process of mutation and eviction of occupants of forest land.

With regard to registering FOCs in case of grant of forest land by Revenue Authorities, Government stated that field officers have been directed to send proposals seeking prosecution of erring Revenue Officials.

Recommendation 10:

(i) The Government may take suitable action to:

(a) Fix a target date and direct the Revenue Department to complete the mutation of all lands notified as forest area in favour of Forest Department.

(b) Direct the Forest Department to book FOCs in all cases where forest lands have been granted by revenue authorities and responsibility fixed on all officers/officials responsible for such grants.

(ii) The Government should direct the revenue department to cancel all Saguvali Chits and the land should be mutated with the forest department in accordance with the Hon'ble Supreme Court's Order.

(iii) The Government may fix responsibility on jurisdictional Forest Officers for all cases of un-authorised diversion of forest lands.

FOCs not booked under stringent provisions of the KF Act

2.2.3 Under Section 24(g)(gg) as well as Section 33 (2)(iii a) of the KF Act, clearing or breaking up of any land for cultivation or any other purpose or occupying forest lands are prohibited activities and are thus, considered as offense. Whereas Section 33(2)(iii) of the Act empowers the State Government to 'regulate or prohibit the grant of land and its clearing and breaking up for cultivation or other purposes'. Thus, Section 24(g)(gg) and Section 33(2)(iiia) were more stringent than Section 32(2)(iii) as it facilitates the encroachers to continue to occupy the forest land till the State Government takes final decision either to regulate or prohibit the grant of land. Section 24(g)(gg) was applicable to Reserve Forests. There were no guidelines/instructions in the Department regarding invoking either of 32(2)(iii) or 32(2)(iiia) where encroachments were noticed in District Forests.

Test-check of FOCs booked in selected Divisions in respect of encroachments revealed that in 45 out of 177 cases of encroachments in three Range Offices, the RFOs concerned booked FOCs under Section 33(2)(iii) of the KF Act rather than under the applicable Section 33(2)(iii a). The grounds on which the cases were booked under 33(2)(iii) instead of 33(2)(iiia) were not recorded by the RFOs concerned.

Government replied that encroachment is a non-cognizable offense and application of prescribed procedure for eviction is a long drawn-out multi-stage process during which the applicant has liberty to approach various courts. The lapse of the Government in not invoking the more stringent provisions of the law weakens the case against encroachment and delays restoration of forest land.

Recommendation 11: **The Government may take suitable action to ensure that Forest Department invokes stringent provisions available in the KF Act or Rules made thereunder while booking FOCs on attempts to encroach forest lands and illegal felling.**

Quantum of punishment not proportionate to the offence

2.2.3.1 The act of clearing or breaking up of forest land involves cutting trees and vegetation, levelling of land, etc. These acts are also offenses in respect of timber or firewood which is the property of the Government and hence attracts seizure of tools and equipment, vehicles, etc. used in committing such offense under Section 62(1) of the KF Act followed by confiscation under Section 71A of the Act. However, in the following cases minor punishments or lesser penalties were imposed by compounding the offenses though the nature of offenses were serious.

(i) In five RFOs of three divisions it was noticed that an attempt was made to encroach forest land for cultivation by felling trees and levelling land using JCBs or Tractors. The FOCs booked in these cases were compounded by collecting fines which ranged between ₹2000 and ₹26000 only. However, vehicles, equipment or machineries used in these cases were not confiscated. The details are given in ***Appendix-16***.

(ii) In Koppa Range, one[26] case was booked for illegally felling 873 Acacia trees. In this case, Karnataka State Forest Industries Corporation (KSFIC) was entrusted the extraction work of 415 trees in 5 Ha of acacia plantation in the survey no-252 of Naraseepur village by the Division. KSFIC further entrusted this work to a contractor[27]. However, the contractor, in addition to the work entrusted, illegally felled another 535 Acacia trees in Government plantation and 338 Acacia trees in private plantation. This FOC was disposed of by the Division by levying and recovering a compounding fee of ₹50000/-. The extraction work of forest produce in the forest land was to be supervised by the Departmental officers. In this case since the work was entrusted through KSFIC, the officers of KSFIC were also responsible to supervise the work. Despite these two levels of supervisions, the contractor had illegally felled 873 trees. As the damage caused to forest was serious, the case was not eligible for closure by compounding the offense. The compounding fee levied was very less as compared to the extent of damage caused to the forest/plantation.

These cases show the lenient view taken by the Department in cases of attempts to encroach on forest land and illegal extraction of timber. Also, such a lenient view taken by the Department would not be a deterrent to offenders in the future.

No reply was furnished by Department/Government for the small compounding fee levied in the case of illegal felling of timber when compared to the gravity of the offenses and on not confiscating the tools, equipment and vehicles used in committing the offenses.

Inadequate enquiry and follow-up of FOCs

2.2.4 Every forest offense which comes to the notice of the Department is to be followed by filing of First Information Report (FIR), arrest of the accused, seizing of the forest produce and vehicles, tools, implements or other material involved, if any. Where offenders involved in FOCs are not known, the cases are recorded as 'undetected (UD) cases'. The FOCs are then enquired/investigated and Enquiry Reports (ER) are prepared. Depending on the nature of offense and ER, the FOCs are either compounded or prosecuted by filing a chargesheet in Courts or withdrawn. The KFM provides that ER to be filed within 15 days of filing of FIR.

Details of status of 2,541 FOCs[28] registered during 2017-18 to 2021-22 in 22 RFOs under selected 11 divisions and two FMS collected and analysed. The analysis revealed that about 57 *per cent* of the cases were pending for prompt first level follow-up action by the Departmental Officers. This was alarming and indicated lack of supervision or monitoring by the Divisional/Circle level or by Apex level Officers of the Department on the FOCs registered in the State. The details are as shown in the table below:

[26] FOC No. 30/18-19, Koppa Range
[27] Sandeep s/o Shivdas, a resident of Narseepur village
[28] Overall Division wise details of FOCs are given in ***Appendix-17***.

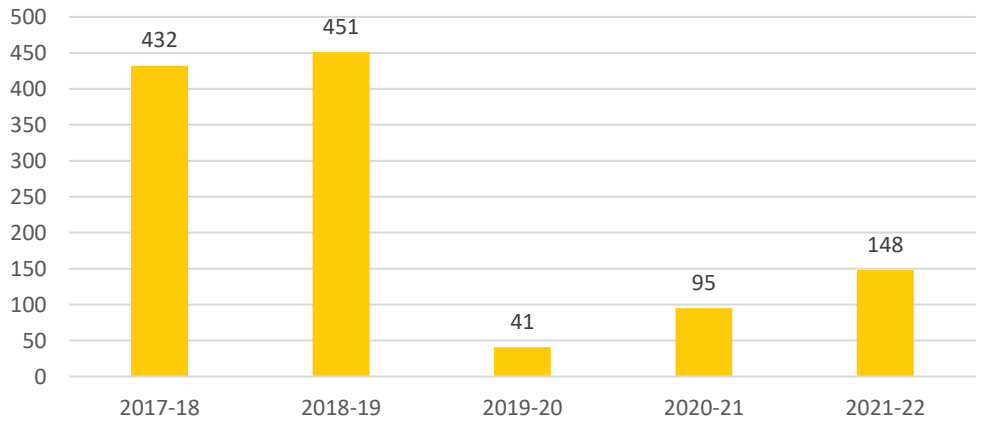
Table No.2.2.1: Status of the test checked FOC cases

Sl. No.	Type of offenses	No. of cases						
		FOC booked	Detected/ UD	ER Filed	Chargesheet Filed	Filed in Courts	Under compounding	Cases disposed
1	Encroachment of forest lands	177	UD (4)	1	0	0	0	0
			Detected (173)	55	7	6	0	0
2	Cases under WLP Act	262	UD (59)	23	0	12	0	15
			Detected (203)	39	3	27	7	7
3	Unauthorised felling/ cutting of trees	835	UD (95)	34	0	0	0	0
			Detected (740)	381	0	0	154	0
4	Others (Including illegal possession/ transportation of forest produce)	1267	UD (151)	32	0	0	0	0
			Detected (1,116)	809	85	12	11	0
	Total	**2541**	**UD**	**90**	**0**	**12**	**0**	**15**
			Detected	**1,284**	**95**	**45**	**172**	**7**

As seen from the above table, the follow-up actions on the FOCs registered were poor. Important Audit analysis and observations in this regard are given below:

- In 45.9 *per cent* (1167 cases*)* ERs were not prepared by RFOs concerned. Of the remaining 1,374 cases, the ERs were filed within the stipulated period of 15 days only in 133 cases (5.2 *per cent*). The delay in filing ERs in 806 cases ranged from 1 to 1,416 days. The age wise break-up of 1,167 cases where ERs were pending are given in the following Chart No. 2.2.4.1.

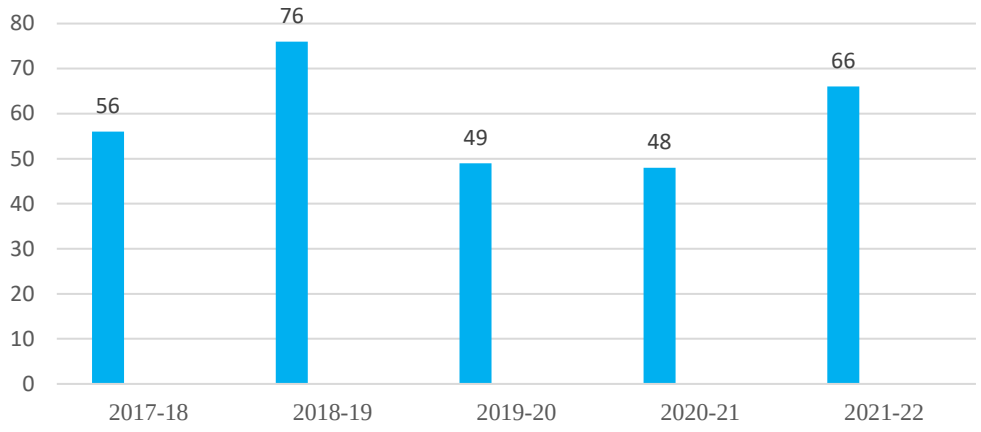
Chart 2.2.4.1: Yearwise number of FOCs registered pending for ERs as on 31 March 2022



- In 11.6 *per cent* (295 cases) RFOs concerned failed to file chargesheets or dispose of the case by compounding or by withdrawing, as the case may. The age analysis of pending Chargesheets is as shown in Chart

2.2.4.2 below. The failure to take follow up action in FOC is indicative of a lack of seriousness on the part of the department in implementing its own Acts and Rules. This will embolden the culprits.

Chart 2.2.4.2: Yearwise Chargesheets pending as on 31 March 2022



- Even in respect of 95 cases where charge sheets were filed, it was noticed in only four cases chargesheets were filed within 60 days from the date of filing FIR. Of the remaining cases 91 cases, in 39 cases chargesheets were filed within six months and in 51 cases the chargesheets were filed beyond six months from the date of filing of FIR and the delay ranged up to 3 years and two months. In one case date of filing of chargesheet was not recorded by the Division concerned.

- 210 out of 262 FOCs (80 *per cent*) registered under WLP Act were pending for disposal for want of enquiry report and chargesheet and 60 cases (23 *per cent*) were UD cases. In respect of 54 cases, FOCs were booked for illegal possession or for involvement in illegal trade of articles derived from wild animals. However, no efforts were found to be made to trace the suppliers of those articles to the offenders.

- Of the 22 cases closed under WLP Act, 10 UD cases closed by courts, 5 UD cases closed departmentally, and 7 cases were compounded.

- In three cases related to sandal wood and five cases related to other trees, no seizure of forest produce could be made. The offense was noticed based on the cut stumps. Action taken, if any, by the RFOs, in these cases to alert the surrounding police stations, forest offices to check for suspicious transportation of the forest produce lost was not forthcoming from the records.

Thus, due to inadequate enquiry or follow-up action actual offenders involved in poaching of wild animals or illegal extraction of forest produce could not be traced by the Department.

Government replied (April 2023) that directions have been issued by PCCF (HOFF) to file ER in complete form within the stipulated time and to forward a copy of FIR to the jurisdictional police station where illegal felling is noticed to

trace the offenders. Tardy implementation of the forest laws will have serious consequences with regard to protection of forest land.

Recommendation 12:

(i) The Government may direct Forest Department:

(a) To establish a monitoring mechanism over FOCs registered and disposed of by Divisional Offices.

(b) To ensure that the RFOs/DCFs conduct enquiries to identify actual suppliers in cases of illegal possession/trade of articles derived from wild animals.

(c) To stipulate Standard Operating Procedure in case of illegal felling noticed through cut stumps in forest area to alert all the surrounding forest offices and Police Stations without any loss of time so that the offenders could be traced.

(ii) The Government may prescribe a time limit for finalization of charge sheet in respect of all FOCs from the date of filing of Enquiry Report.

Failure to evict encroachers

2.2.5 *Section 64-A* of the KF Act, 1963 provides for summary eviction of any person unauthorisedly occupying any forest land[29]. Further, Government of Karnataka (GoK) filed[30] (October 2014) an Action Plan for eviction of Encroachment of forest land in the Hon'ble High Court of Karnataka according to which all encroachments of forest land were to be cleared by June 2016.

However, the Government of Karnataka by a Circular (March 2015) exempted certain categories of encroachers from eviction till verification, regularisation/rejection or rehabilitation processes are completed. The cases which are temporarily exempted from eviction include the following:

- Where application is pending for regularisation of encroachment under Forest Rights Act 2006,
- The encroachments prior to 27th April 1978 which could be regularised if permitted by Government of India, and
- Forest land granted prior to enactment of Forest (Conservation) Act, 1980 and encroachments after 27th April 1978 but where encroacher's total holding, including encroached land and Patta land, was three acres or less.

Thus, the Forest Department was required to evict encroachers in all cases where applications for regularisation have been rejected by the competent

[29] Reserved forest, district forest, village forest, protected forest and any other land under the control of the forest Department

[30] In WP No.15511-14/2013 (GM RES-PIL) Samajan Parivarthana Samudaya and others and WP No.15500/2013-Namma Bengaluru Foundation Vs State and others.

authorities and where encroachers held more than three acres of land including patta lands.

Action taken for eviction of unauthorised occupation of forest lands in 11 test-checked divisions were reviewed which revealed the following:

2.2.5.1 Though in 1,551 cases (families) involving 1,311.76 Ha in seven Divisions, the application for regularisation of unauthorised occupation of forest land has been rejected by the competent authorities, and only 234 cases involving 123.65 Ha encroachments have been cleared by evicting the encroachers.

No action was taken to evict encroachers in the remaining 1,322 cases involving 1,188.11 Ha of land. The Divisions/Ranges concerned also failed to produce records related to FOCs, if any, registered in these cases. In respect of Honnali and Davanagere Range of Davanagere Division, the DFO stated that the details of FOCs registered in these cases, if any, are not available with the Division. The Division wise details are given in ***Appendix-18***.

Thus, encroachers were allowed to continue to occupy forest lands even after their applications for regularisation were rejected.

2.2.5.2 As per the Action Plan filed by the Government of Karnataka before Hon'ble High Court of Karnataka, 29,688.68 acres of forest land under encroachment in 4,026 cases in 10 out of 11 selected Divisions were to be evicted by June 2016. However, it was noticed that only 7,515.53 acres (25.31 *per cent*) of land was vacated in 644 cases as of March 2022. No action was taken in respect of the remaining 3,382 cases involving 22,173.15 acres (74.69 *per cent*) of land. The Division wise details are given in ***Appendix-19***.

2.2.5.3 The Government Circular dated 13-03-2015 instructed the Forest Department not to evict the encroachers holding land up to 3 acres. It was also clearly mentioned in the Circular that the limit includes 'Patta'[31] land held, if any, by the encroachers. However, it was seen that the Department has stopped eviction in all cases where encroachment is up to 3 acres in forest land. No action was taken to ascertain the information on Patta land held by the encroachers from the Revenue Department by the Divisions/Ranges. There was no monitoring or directions from Circles or by PCCF Office to the Divisions/Ranges in this regard.

Disposal of seized and confiscated materials

2.2.6 According to the Karnataka Forest Act 1963, when an order for confiscation of any property has been passed and such an order has become final, the property or its sale proceeds are to vest in the State Government free from all encumbrances.

The Hon'ble High Court of Karnataka had opined in September 2000 that it was for the authorities to seek permission from Criminal Courts for disposal of

[31] 'Record of rights' showing the name of the individual or person that is registered with the tehsildar's office as the owner of the land parcel.

seized sandalwood in each case as there was likelihood of damage to seized sandalwood when retained for unduly long period. Based on the above directions, both Government and the PCCF instructed in September 2001 and November 2001 respectively to make appropriate applications to the trial Courts seeking release of seized sandalwood.

Further, the CCF, Shimoga, referring to a case of theft of forest produce and murder of a forest official in their jurisdictional forest office issued a circular in March 2020 that seized sandalwood be shifted to nearest sandal koti[32] with the permission of the Courts. In order to protect Government revenue, this measure should be adopted in all Divisions as a 'good practice'.

As per the FOC progress report (Quarter ending March 2022), huge quantity of seized materials was held at the Divisional offices pending for disposal. Materials seized in FOCs which were held with the selected divisions as on 31.03.2022 are as detailed in the table below:

Table: 2.2.2: Details of seized material held at Divisions

Sl. No.	Material	Quantity	Rate (₹ /unit)	Amount (₹ in crore)
1	Sandal	40,306.02 kgs	7,000	28.21
2	Teak	254.527 cum	97,812	2.49
3	Rosewood	82.92 cum	96,400	0.80
4	Iron-ore	8,832.70 mt	2,910	2.57
Total				**34.07**

The seized material valuing ₹ 34.07 crore was pending for disposal. Action taken, if any, for obtaining permission from Courts for disposal of these material

Picture No. 2.2.1: Seized materials lying in open at Hebbe Range, Bhadra Tiger Reserve Division

[32] Government Sandalwood Depot.

was not forthcoming from the records made available to Audit. Delay in disposal would not only defer the revenue realisation but could also lead to loss of revenue due to deterioration of the material. On physical inspection of stocks at selected Divisions, it was noticed that high value timbers like rosewood and teak wood logs were kept in open area without any protection (no flooring/shading) since many years and found to be deteriorating. It was also noticed that the RFOs or the Divisions concerned have kept the valuable forest produces in their custody without transferring them to the safe and secured facilities available with the Department. A few illustrative cases are mentioned below:

Seized materials held by Range Forest Offices or mobile squads

In one case in Tumkuru Range, although 139 Kgs of Sandal wood was seized and the offenders could not be traced, the case was treated as closed on 28.05.2018. However, the seized sandalwood was not shifted to Sandalkoti and no steps were taken to dispose of and realise revenue to Government even after four years of closure of the case. The seized sandal wood was still being kept in the custody of RFO.

In another case in FMS Mysore, it was observed that the division was holding a seized Ambergris weighing 8.25 kgs. Though the seized material has no value as it is completely banned from possession, trade, etc., its value in grey market as seen from media reports is approximately ₹8.25 crore (i.e, ₹ 1 crore per Kg). Apart from this, the Division held Tiger skin, Lion skin, Lion tooth, Lion nail, Elephant tusks, Deer horn, etc. seized in 13 other FOCs registered between 2016-17 and 2020-21.

After this was pointed out, Government replied (April 2023) that PCCF (HOFF) issued circular in March 2023 directing all DFOs/RFOs to seek permission from courts to dispose of the perishable materials seized in FOCs.

Recommendation 13: **The Government may direct Forest Department to seek permission of Courts in all cases where forest produce or other materials have been seized and to dispose of the material at the earliest to avoid deterioration in the quality of produce and consequent loss of revenue to Government.**

Lack of monitoring over FOCs registered in the State

2.2.7 Availability of accurate records pertaining to filing and clearance of FOCs is essential for monitoring and follow up. Such monitoring at the highest levels will ensure that FOCs are vigorously pursued at the field level which will be a deterrent to the offenders. However, it was noticed that the Department did not ensure accurate accounting of FOCs registered and disposed in State.

The Annual Report (AR) for the year 2021-22 showed 69,897 FOCs pending disposal as at the end of 31 March 2022. The time series data of FOCs for the period from 2017-18 to 2021-22 was as shown in the table below:

Table No.2.2.3 Trend of FOCs in Karnataka

Sl. No	Year	Opening Balance	Addition	Total	Clearance	Closing balance shown in AR	Actual CB	Difference between CB of previous year and OB of current year	Difference Between Actual CB and CB as per AR
1	2017-18	73643	6707	80350	6796	71530	73554	-	2024
2	2018-19	66155	8709	74864	7484	67380	67380	5375	0
3	2019-20	67538	2068	69606	1984	67621	67622	-158	1
4	2020-21	68256	7994	76250	8416	67834	67834	-635	0
5	2021-22	67834	7086	74920	5107	69897	69813	0	-84

As seen from the table, due to incorrect carryover of closing balance and errors in arriving at closing balances, there was understatement of CB by 6,523 cases. Disposal of FOCs was also very low, ranging between 2.94 and 12.33 *per cent* of the respective opening balances.

It was noticed that there was no prescribed monitoring mechanism over FOCs registered and disposed at Divisional level either by Circle offices or by PCCF office. As a result, though the time series data showed very low clearance of FOCs and arithmetical errors in MIS reports, no questions were raised regarding the inaccurate data nor were instructions issued to ensure disposal of FOCs, at Department level.

Government accepted the Audit observations and recommendation and stated (April 2023) that a software application named 'Garudakshi' is being developed to capture the particulars of FOCs and their status for better monitoring. Data entry of about 6,500 FOCs related to wildlife has been completed and the application would be rolled out soon on State-wide basis. However, specific reply was not provided in respect of discrepancies noticed in FOCs pending for disposal as of March 2022 and also on FOCs registered not followed up with ERs and Chargesheets.

Lack of resources to prevent and detect FOCs

2.2.8 The Forest Guards of the Beat are responsible for patrolling and protection of the forests of the beat. The Forest Guards, are therefore, the most critical element in prevention and detection of forest offenses.

However, it was noticed in the selected divisions that there were substantial vacancies in the cadre of Guards (beat staff). Resultingly, the department could not ensure a guard per beat to realise minimum protection and preventive measures against FOCs. The 309 cases where offenders remained unknown, as seen during test check of records related to FOCs in the selected 14 RFO under these Divisions, is indicative of the inadequate patrolling of beats due to staff shortages.

The details of number of beats in the selected 11 Divisions and number of guards in position during the period 2017-18 to 2021-22 were as shown in table below:

Table No.2.2.4: Shortage of guards in selected Divisions

Sl. No.	Year	No. of beats	No. of guards	Shortage
1	2017-18	605	513	15.21
2	2018-19	605	508	16.03
3	2019-20	605	539	10.91
4	2020-21	629	527	16.22
5	2021-22	650	515	20.77

Wireless devices/equipment are distributed to the division offices for use by frontline personnel. Proper maintenance and to ensure good working condition of the same is of vital importance. Scrutiny of records and physical inspection of Wireless devices by audit revealed that about 45 *per cent* of the equipment was in non-working condition. It was also noticed that in five[33] Divisions none of the 246 handsets were in working condition. Real time communication between beat Guards and the RFO would enable other effective measures such as mobilisation of preventive staff for raids, setting up of roadblocks to interdict illegally felled forest produce or poachers.

Conclusion

2.2.9 The Forest Department has been given wide ranging powers to register and prosecute forest offences so as to fulfil its mandate of protecting the forests, and wildlife. Prosecution of Forest offences to the fullest extent provided under the extant laws is an important tool for prevention and deterrence to offenders as also ensuring effective management of forests by the officers and officials of the Department. Registering, monitoring and assiduous follow up of forest offence cases is therefore of paramount importance. However, the Department has failed to accord due importance to FOCs as evident from poor record keeping, inadequate follow-up on FOCs registered such as preparation of ERs, filing of Chargesheets, etc. The lack of monitoring at the Apex level has percolated to the field leading to poor performance in this regard by the RFOs/DFOs. This has also led to lenient treatment of serious offenses such as encroachment, illegal felling of trees for sandalwood, timber, firewood, etc, which, apart from causing a loss to Government will fail to deter offenders in the future.

2.3 Excess expenditure and extra payment to contractors due to erroneous estimates

Omission to ascertain the price of used rails from Railway Department and erroneous inclusion of GST in the cost of used rails have resulted in avoidable excess expenditure and double payment of GST to contractors aggregating to ₹ 2.41 crore.

Karnataka Forest Department had taken up the work of Construction of Barricades using used rails obtained from Indian Railways to address the problem of human elephant conflicts. The major component of this work was supply of used rails. It also involved civil works like fabrication, clearing and

[33] Chikkaballapura, Chikkamagalur, Mandya, Tumakuru and Yellapura

grubbing, excavation, providing cement concrete, reinforced concrete, etc. For detailed estimation of costs, while the Sanctioned Schedule of Rates (SSR) was applicable for all the civil works, the cost of used rails was to be ascertained from the Indian Railways. For transportation charges, distance from Southwestern Railways (SWR) yard at Hubballi to the respective work site was adopted by all the Divisions. In this regard, it was noticed that the supply rate of used rails by SWR during 2019-20 was ₹ 31,692/-[34] per MT.

In three Divisions, 22[35] works of 'Construction of Barricades using used rails' for a total length of 34.042 kms were executed during 2019-20. The estimates for these works were approved between October 2019 and February 2020. It was noticed in these estimates that the three Divisions adopted three different rates for used rails. While the Cauvery Wildlife Division adopted ₹ 40,000/- and ₹ 35,376/- per MT, the Hassan Division adopted ₹ 40,000/- per MT and MM Hills Division adopted ₹ 37,400/- per MT. The basis for adopting different rates by different Divisions during the same period was not available on record. Though the successful bidders in all these 22 tenders quoted less than the estimates by 0.45 *per cent* to 4.42 *per cent* the price paid for used rails varied from ₹ 33,812 per *MT to ₹ 39,756 per MT.* Thus, the incorrect rates adopted by the Divisions in the estimates have led to excess expenditure of ₹ 2.41 crore on 5,671.039 MT of used rails used in these works as detailed in the ***Appendix-20***.

After this was brought to the notice in August 2022, the State Government replied in October 2022 that the rate of ₹ 31,692/- per MT quoted by SWR to Nagarahole Division was in November 2019. As the estimates for Hassan, MM Hills and Cauvery Wildlife Divisions was to be prepared at the beginning of 2019-20, the said rate was not available with the Forest Department. It was also stated that the rate of ₹ 35,270/- per MT at which Madikeri Division procured used rails during 2017-18 was considered and by adding GST at 12 *per cent* on the same, the rate of ₹ 40,000/- per MT was arrived at for the purpose of estimation.

The reply is not tenable as the estimates for these three Divisions were approved between October 2019 and February 2020 and not at the beginning of the year 2019-20. The rate of ₹ 31,692/-[36] per MT conveyed by SWR to Bandipura Circle in June 2019 was already available with the Department before approval of the estimates. In this connection, it was also noticed that the Bannerghatta National Park Division revised the rate of used rails from ₹40,000/- per MT adopted in the initial estimates to ₹31,692/- while approving the estimates in October 2019.

Further, it was evident from the reply that the Divisions did not make any effort to ascertain the prevailing rate of used rails from the SWR at the time of

[34] Supply from SWR to Mysuru Division during 2019-20. Also, the Deputy Chief Materials Manager /S&IC/HQ, SWR, Hubballi in their letter dated 11.06.2019 addressed to Conservator of Forests, Bandipura Circle, agreed to supply the required quantity of used rails at a sale value of ₹ 31,692/- (excluding GST) per MT.

[35] Five works at Hassan, seven works at MM Hillls and 10 works at Cauvery Wildlife Divisions.

[36] Supply from SWR to Mysuru Division during 2019-20. Also, the Deputy Chief Materials Manager /S&IC/HQ, SWR, Hubballi in their letter dated 11.06.2019 addressed to Conservator of Forests, Bandipura Circle, agreed to supply the required quantity of used rails at a sale value of ₹ 31,692/-(excluding GST) per MT.

preparation of estimates. Instead, it adopted the rate of 2017-18 which was two years old. This deprived the State Exchequer of the benefit of reduced price of used rails. Besides, though the Department had included 12 per cent GST on ₹ 35,270/- per MT amounting to ₹ 4,233/- per MT, in seven[37] works where estimated rate was ₹ 40,000/- per MT, the Notice Inviting Tender did not stipulate that Tendered rates were to be inclusive of GST. In these cases, though the estimated rate included GST at 12 *per cent*, it was noticed from the bills paid to contractors, GST at applicable rate was paid over and above the bill amount calculated at tendered price. Thus, there was avoidable payment on account of GST to contractors in such cases.

Thus, erroneous estimates prepared by the Forest Divisions without ascertaining the sale price of used rails from SWR for the year 2019-20 and irregular inclusion GST component in the estimated price had led to extra expenditure to Government and also avoidable payment of GST to the contractors.

Recommendation 14:

Government may direct Principal Chief Conservator of Forests to fix responsibility on Officers/Officials responsible for over-estimation of costs without ascertaining the rate of used rails from the SWR and for inclusion of GST component in the estimates.

Mines and Geology Department

2.4 Non-adherence to the Karnataka Minor Mineral Concession Rules

The Department did not levy/collect the Royalty and Additional Periodic Payment (APP) on minimum production quantity of ordinary sand during 2017-18 to 2021-22. The amount of Royalty and APP not so collected in eight test checked Districts aggregated to ₹ 493.90 crore.

The Department of Mines and Geology (DMG) administers the grant of mining leases and quarry leases, collection of Royalty and other charges on major and minor minerals, curbing unauthorized mining and transportation of minerals in the State. The grant of quarrying lease and license for minor minerals in the State are governed by the Karnataka Minor Mineral Concession Rules, 1994 (KMMC Rules) as amended from time to time.

The KMMC (Amendment) Rules 2016 introduced (12 August 2016), 'Additional Periodic Payment' (APP) to be paid by lessees/license holders in addition to Royalty, which is defined as a percentage of Royalty as per the final price offer obtained in auction. Further, Rule 31-W(1)(iv) of the KMMC Rules (as amended in August 2016) had stipulated that the lessee of ordinary sand shall produce and dispatch minimum fifty *per cent* of the permitted annual production quantity, and if he fails to achieve the same, he shall be liable to pay Royalty and APP as per the minimum production and dispatch requirement of fifty *per cent* of permitted annual production quantity. The Rule also provided that where the failure to achieve minimum production and dispatch requirement

[37] Five works in Hassan Division and two works in Cauvery Wild-Life Division

was for reasons beyond the control of the holder of lease or license, the Competent Authority, on an application made by the lessee or licensee and after giving opportunity of hearing, may waive the requirement of the minimum production and dispatch for such periods as it may deem fit.

The provisions contained in Rule 31-W(1)(iv) were substituted by Rule 31Y(1)[38] *with effect from* 5 May 2020, as per which the requirement of payment of Royalty and APP on minimum of 50 *per cent* of the permitted annual production quantity was applicable to only those leases executed before 5 May 2020.

Thus, the sand quarry leases executed from 12 August 2016 to 4 May 2020 were required to pay Royalty and APP on a minimum of 50 *per cent* of the permitted annual production quantity.

The Government, however, did not notify any officer of the Department as the Competent Authority for the purpose of Rule 31-W(1)(iv) of 2016 or 31Y(1) of 2021. Thus, Audit has inferred that the power to waive the dues is vested with the State Government.

During Inspection in Eight[39] Districts, Audit observed (February 2019-January 2023) *inter-alia* that minimum fifty *per cent* of the permitted annual production quantity was not achieved by most of the sand leases during the period from 2017-18 to 2021-22 and the Department did not levy or collect Royalty and APP payable for the shortfall in production of 50 percent of permitted quantity. The shortfall in collection of Royalty and APP leviable as per the KMMC Rules amounted to ₹ 493.90 crore ***(Appendix - 21)*.**

With respect to Raichur District, as against the shortfall of ₹ 9.16 crore (2017-18) related to nine test checked sand leases pointed out during February 2019, the Department replied (December 2022) that the lease holders could not reach the minimum 50 *per cent* quantity due to delay in starting the mining operations, local problems in road connection *etc.* and the lease holders requested not to penalize for not reaching the annual minimum quantity.

Subsequently, the Senior Geologist, Raichur waived (January 2023) Royalty and APP in respect of the nine leases amounting to ₹ 9.16 crore. However, till the time a competent authority is notified, no waiver can be granted. Thus, waiver of ₹ 9.15 crore by the Senior Geologist, Raichur is irregular.

As per the extant Rules, the Royalty and APP must be paid in advance and Mineral Dispatch Permit obtained before transportation of the sand. (Rule 36) After completion of the financial year, the Department must conduct an audit and certify the quantity produced and dispatched during the preceding year by suitable survey. Based on this report, the Department must send notices to the lessees who have not met the target, i.e., at least 50 *per cent* of the permitted quantity to pay the Royalty and APP on the shortfall. The amount due is required to be paid within 60 days of issue of notice. (Rule 39 & 40).

[38] Through the KMMC (Amendment) Rules, 2021.
[39] Koppala, Haveri, Udupi, Mangalore, Chitradurga, Gadag, Kodagu and Raichur.

Audit observed that no demand was raised for Royalty and APP on minimum production quantity in any of the shortfall cases, even though an Annual Audit is required to be conducted. This depicts Department's lapse in implementing the KMMC Rules in full spirit.

Thus, non-levy of Royalty and APP on minimum production quantity in sand leases by the Department as per the provisions of KMMC Rules resulted in loss of revenue to the Government of ₹ 493.90 crore.

The matter was brought to the notice of the Department in March 2022 and reported to the Government (7 March 2023). The reply is awaited (June 2023).

Recommendation 15:

Audit Recommends that:

- **The Department should develop a robust system to ensure that every provision of the KMMC Rules is implemented uniformly across the State and that royalty and other charges are duly levied and collected.**
- **The State Government should notify the competent authority to waive off dues under Rule 31-W(1)(iv).**
- **Suitable departmental action may be considered against the Senior Geologist, Raichur who waived the dues without authority.**

Home Department

2.5 Enforcement of fire safety provisions in high rise buildings

Non-compliance by Fire and Emergency Services Department to the Government directives regarding fire safety provisions in high rise buildings had the potential of adversely impacting fire protection preparedness endangering the life and property of the public besides non-collection of prescribed revenue amounting to ₹ 165.24 crore.

Under Section 13 of the Karnataka Fire Force Act, 1964 Government of Karnataka notified (July 2011) guidelines to enforce fire safety measures in high rise buildings (buildings having height of 15 meters and above). The notification provided the following mandate to the Fire and Emergency Services Department (Department):

- The Department should issue No Objection Certificate[40] (NOC) for building plans of high rise buildings certifying the inclusion of fire safety measures as prescribed in building byelaws, zonal regulations, national building code etc. The NOC was mandatory for granting building plans/ licences by BBMP/ Local Municipal Authority. The municipal authorities should not grant Occupancy Certificate (OC)

[40] The Department verifies (before commencement of construction) whether the building plan provided for adequate fire prevention and evacuation measures under applicable provisions and, if satisfied, issues No Objection Certificate (NOC).

without the Clearance certificate[41] (CC) issued after inspection by the Department certifying that the fire protection systems were installed in the completed buildings. The high rise buildings constructed without prior NOC and CC should also be inspected and compliance to statutory regulations ensured.

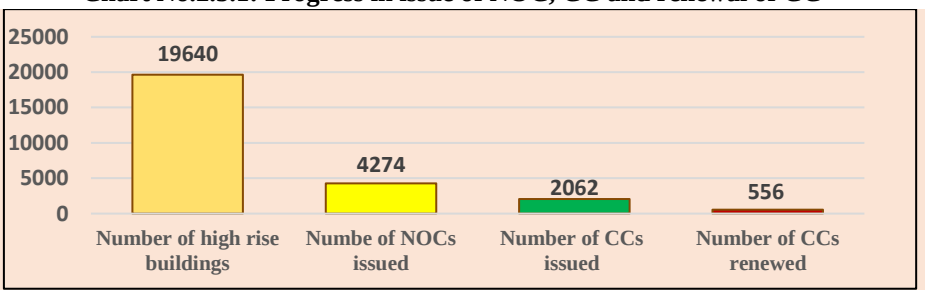
- The CC issued by the Department should be renewed once in two years to ensure the firefighting preparedness of the buildings. The Department should ensure that all the high rise buildings in the State were inspected within nine months from the date of issue of notification.

- The applications for NOC and CC were to be submitted online and after inspection and approval by the Department, the prescribed fees was to be paid by the applicant online to the Department.

Government of Karnataka sanctioned (August 2012) additional 66 posts to the Department for creation of Enforcement and Compliance division to carry out the implementation of the above directives. All the above sanctioned posts were filled up and field units were established (December 2012) in major cities of the state. During Compliance Audit (April -October 2021) of the Department, Audit examined the compliance to the above directives and the observations are as detailed below:

- **High Rise Buildings functioning without NOC**: The guidelines prescribed that all high-rise buildings in the State were to be inspected within nine months from the issue of notification (within April 2012). However, Audit observed that out of 19,640 high rise buildings in seven cities[42] of the State, 15,366 high rise buildings were not inspected and mandatory NOCs issued (March 2022). The progress in issue of NOC, CC and renewal of CC by the Department as of March 2022 is indicated in the chart below:

Chart No.2.5.1: Progress in issue of NOC, CC and renewal of CC



Source: Data provided by the office of DGP & DG, Fire and Emergency services

- **Non-issue of clearance certificate**: Department had issued 4274 NOCs as of March 2022 for high-rise buildings/ establishments for plan approval. However, out of 4274 NOCs issued, Department provided CCs to 2062 buildings (48 *per cent*) only after inspection of the fire

[41] The Department inspects (after construction) the building to check whether all fire safety measures suggested or recommended in NOC and other applicable rules were strictly adhered to and, if complied, issues Clearance Certificate.

[42] Ballari, Bengaluru, Chitradurga, Hubballi, Kalaburgi, Mangaluru and Raichuru

safety standards installed. The Department did not have details regarding 2212 buildings which were yet (March 2022) to obtain the CCs. This included 724 cases where CCs were pending for more than 10 years after issue of NOC. The main reason was that builders did not apply for the same as the local bodies issued OCs without insisting on CCs from the Department in violation of the guidelines.

- **Non -renewal of clearance certificate:** Out of the 2062 buildings where CCs were issued, only in 556 cases (27 *per cent*) the CCs were renewed once in two years as prescribed in the guidelines. In the absence of renewal of CCs, the Department could not ensure the continued adherence to the fire safety standards in respect of the balance 1506 buildings.

- **Non-collection of prescribed revenue**: Government of Karnataka from time-to-time prescribed fees for issue of NOC and renewal of CC for high rise buildings based on their height and their classification (residential/ commercial). The resultant loss of revenue to the State exchequer due to the shortfall in issue of NOC and renewal of CC was ₹ 153.66 crore[43] and ₹ 11.58 crore (Details in ***Appendix-22***) respectively during 2011-2022.

The Government in its reply (April 2023) attributed the shortfall in issue of NOC and CC to the fact that the local authorities while issuing Occupancy Certificates for the completed high-rise buildings did not insist on obtaining the mandatory NOC and CC from the Department. The reply was not acceptable as the Government notification dated July 2011 clearly instructed that the high-rise buildings completed without obtaining NOC and CC from the Department should also be inspected to ensure compliance to fire safety standards.

Thus, the failure of the Department to enforce the guidelines prescribed for ensuring fire safety standards in high rise buildings despite provision of additional manpower and access to the data related to the high rise buildings carried the risk of poor fire safety preparedness which can result in damage to life and property in case of fire accidents. The poor enforcement of the guidelines also resulted in non-collection of prescribed revenue of ₹ 165.24 crore to the Government during the period 2011-22.

Recommendation 16:

The Department should ensure that Government guidelines regarding fire safety standards in high rise buildings are enforced in a time bound manner to ensure the safety of life and property of citizens.

[43] Considering the minimum value of ₹ 1.00 lakh for issue of NOC in respect of 15,366 buildings

2.6 Irregular transfer and unauthorised utilisation of Government land

The office of the Superintendent of Police, Ballari did not follow the legalities for transfer of Government land to a private association resulting in unauthorised utilisation of Government property worth ₹ 9.94 crore and loss of Government revenue to the tune of ₹ 2.73 crore.

Rule 20 (1)(a) of the Karnataka Government (Transaction of Business) Rules, 1977 stipulated that cases specified in the first schedule to these Rules should be brought before the Government cabinet for approval. Accordingly, as per Item number 12 of the first schedule proposals involving alienation, whether temporary or permanent, by way of sale, grant or lease of Government property or the abandonment or reduction of revenue required cabinet approval. The exceptions were for transfer of Government property carried out in accordance with the provisions of the Karnataka Land Revenue Act, 1964 and rules made there under or under any general scheme approved by the Government or if the monetary value did not exceed rupees fifty lakh[44].

On a review of records of the Superintendent of Police (SP), Ballari, Audit noticed (December 2021) that the office was in possession of 10.362 acres of land in Survey No.60, Parvathinagar, Ballari. Out of the above, a parcel of land measuring 2.58 acres (10,461 square metres or 1,12,560 square feet) was handed over (December 2003) to a private association, *viz*, Police Gymkhana[45] to encourage sports activities in Ballari. The Association had constructed badminton courts, tennis courts, squash courts, swimming pools, gymnasium and 16 rooms and was collecting subscription fees apart from membership charges[46] from the patrons.

The Secretary of the Gymkhana requested (August 2007) the Director General and Inspector General of Police (DG and IGP), Karnataka to provide the above parcel of land on long lease to the Association. SP, Ballari in his letter to DG and IGP (August 2007) opined that granting of long lease could be considered if the Association brought certain amendments to its Memorandum of Association to safeguard the interests of the police department. However, no further action had been taken (January 2023) to regularise land transfer to Gymkhana through entering into any official agreement.

Audit observations were as follows:

- The office of the Superintendent of Police, Ballari, in violation of the Karnataka Government (Transaction of Business) rules, allowed the Government land (having guidance value of ₹ 1.41 crore[47]) to be utilised by the Gymkhana Association without obtaining approval from DG and IGP and State Government. No formal agreement was entered with the Association prescribing the rent to be charged, period of utilisation,

[44] Rupees five crore as per the amendment made during 21 November 2019.
[45] Constituted (October 2003) as Association of persons and registered under Societies Registration Act.
[46] ₹ 5 lakh for corporate members, ₹ 2 lakh for life members and ₹ 0.25 lakh for Government members.
[47] Guidance value during 2003 was ₹ 125/sq. ft (1,12,560 × 125 = ₹ 1,40,70,000).

conditions for construction of permanent structures or their future ownership.

- Though the office of SP, Ballari initiated correspondence (2007) with the DG and IGP office to enter into a lease agreement with the Association, the same was not concluded resulting in land worth ₹ 9.94 crore[48] (based on guidance value of ₹ 9500/square metre for the year 2022) being utilised by the Gymkhana for the past 19 years (January 2004 to December 2022) without approval from the head of Department/Government.

- Government of Karnataka amended (June 2015) Karnataka Land Grant Rules, 1969[49] and uniformly fixed the lease value of land granted for non-agricultural purposes based on its guidance value. As per the above amended rules, Audit calculated the loss to Government had the department taken timely action to enter into official lease agreement with the Association. The loss worked out to ₹ 2.73 crore[50] during the period from July 2015 to March 2022.

The SP, Ballary in his reply (March 2023) stated that the police department was the rightful owner even though the land was utilised by the Association and that the Association was providing the Department free rooms and concession in membership fees to the police personnel. The reply cannot be accepted as the utilisation of Government land by the Association has not been regularised resulting in revenue loss to the Government. Further, the lack of a formal agreement for utilisation of land and non-payment of lease rent cannot be justified on the grounds of police personnel enjoying free rooms and concession in memberships.

Thus, the irregular grant of permission to a private association to utilise Government land and the lack of departmental action for over 19 years in regularising the arrangement resulted in unauthorised utilisation of Government property worth ₹ 9.94 crore besides loss of lease revenue of ₹ 2.73 crore to the Government.

The matter was brought to the notice of the Government (March 2023); the response was awaited (June 2023).

Recommendation 17:

The Police Department should take urgent action to regularise the unauthorised utilisation of Government land and fix responsibility on officials responsible for violating the prescribed rules.

[48] 10461× ₹ 9500 = ₹ 9,93,79,500

[49] With effect from 09.06.2015, the lease rent for non-agricultural purposes was fixed at 5 *per cent* of the guidance value which was reduced to 2.50 *per cent* from 15.12.2020

[50] Guidance value /square metre (₹ 6728 from July 2015 to March 2016, ₹ 7700 from April 2017 to March 2018 and ₹ 9500 from April 2018 to March 2022)

Department of Administration of Justice

2.7 Embezzlement of Government receipts

Embezzlement of Government receipts of ₹ 2.27 crore through fraudulent practices and manipulation of records was observed in the office of Hon'ble Chief Judicial Magistrate, Bengaluru Rural. The embezzlement remained undetected for more than four years due to failure in following the prescribed internal control procedures.

Article 4 (a) of the Karnataka Financial Code, 1958 (KFC) stipulates that all transactions to which any Government servant in his official capacity is a party, must, without any reservation, be brought to account, and all moneys received should be paid in full without undue delay in any case within two days, into a Government treasury, to be credited to the appropriate account and made part of the general treasury balance. Article 329 (v) of KFC prescribes that when Government moneys in the custody of a Government officer are paid into the treasury or the bank, the Drawing and Disbursing Officer (DDO)/Head of the office should compare the entry in the cash book with treasury/bank records to satisfy himself that the amounts have been credited into the treasury or bank. The code also prescribes monthly reconciliation of all remittances with the consolidated schedule of remittances obtained from treasury.

The remittance of Government receipts into treasury is ensured by generating challan duly signed by the DDO and depositing the money in designated bank which acknowledges the receipt of money by affixing seal on the challans. The same will be reflected in Form No-25 of the Karnataka Treasury Code (KTC) which indicates DDO wise consolidated schedule of receipts.

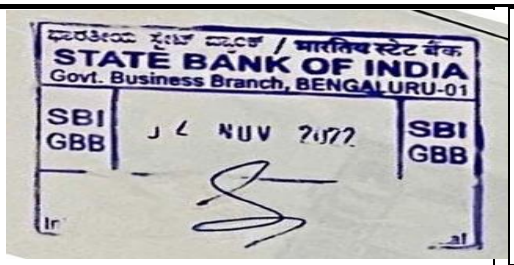
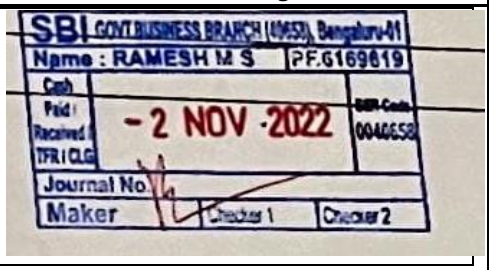
The Office of the Honourable Chief Judicial Magistrate (CJM), Bengaluru Rural receives Government receipts during court procedures relating to fines and penalties, cash security, court fee, stamp duty, process fee *etc*. in the form of cash/Demand Draft/Cheque. The office cashier collected the receipts, entered them in the cash book and remittance register, generated challan through the Khajane II[51] software and paid them to the designated branch of the bank[52]. Audit scrutiny (December 2022) of the cash book and remittance register revealed that out of ₹ 14.71 crore worth receipts received during the period 2018-19 to 2021-22, 341 items worth ₹ 2.27 crore were not traced to the Schedule of receipts of the Treasury maintained in Form KTC-25. The details of Challans which were not traced in KTC 25 are indicated in the ***Appendix-23***.

Audit further examined (January 2023) the challans with Receipts Transaction Summary Report of the DDO (MIS 0005 report of Khajane II) wherein the payment status of the above challans was indicated as '*expired*'. Audit sought (January 2023) further confirmation on the payment status of each of these expired challans from the designated branch of the bank. The bank manager provided (February 2023) challan-wise confirmation regarding non-receipt of these amounts in the bank account. Moreover, the seal affixed on these challans

[51] Khajane-II is the Integrated Financial Management System of Government of Karnataka
[52] State Bank of India, Government Business Branch, Shivaji Nagar, Bengaluru

was not matching with the seal affixed by the Bank authorities for genuine transactions (**Picture No.2.7.1**).

Picture No. 2.7.1: The seal affixed in the non-remitted challan *vis-à-vis* original bank seal

	
Seal affixed on non-remitted challans without name and PF number of the bank official.	Original Bank seal specimen with name and PF number of the bank official

Thus, the above evidence conclusively proved that receipts worth ₹ 2.27 crore were not remitted to Government account. The officials, who were responsible for remitting the amounts in the bank, affixed fake bank seals on challans and submitted them to the CJM office. The supervising officers, without checking the correctness of remittances as prescribed in KFC, accepted the above manipulated challans as proof of remittance and accounted them in remittance register and cash book.

The misappropriation remained undetected as the office did not follow the control procedures prescribed in Article 329 of the KFC as detailed below:

- Comparison of entries related to remittances with treasury/bank records to verify the correctness of transactions.
- Monthly reconciliation of departmental remittances with consolidated schedule of receipts (KTC 25) obtained from treasury.

The Honourable CJM in reply (March 2023) accepted the audit observation and stated that criminal case was registered against seven officials who were responsible and enquiry was under progress.

The State Government also endorsed (May 2023) the communication received from the Registrar General High Court of Karnataka confirming the embezzlement of ₹2.27 crore in the office of honourable CJM, Bengaluru Rural. Further action taken was awaited (June 2023).

Thus, the failure to conduct reconciliation of remittances with treasury records and supervisory lapses in verifying the genuineness of challans resulted in embezzlement of Government receipts worth ₹ 2.27 crore over a period of more than four years (June 2018 to November 2022).

Recommendations 18:

The Department should

- **carry out a detailed enquiry to fix responsibility on officials who were responsible for the embezzlement of Government money and dereliction of supervisory responsibilities.**
- **ensure that all offices carry out the prescribed internal control procedures, such as verification and reconciliation of remittances with treasury records.**

URBAN DEVELOPMENT DEPARTMENT

2.8 Irregular allotment of the sites under incentive scheme

The decision of Bengaluru Development Authority to prepone the effective date of implementation of the amended incentive scheme rules without authority of law along with allocation of sites in the previously formed layouts in violation of the rules resulted in excess allocation of 12,000 sq. ft. of developed land and undue benefits to landowners to the tune of ₹ 10.54 crore.

The Government of Karnataka (GoK) notified (November 1989) the Bangalore Development Authority (Incentive Scheme for Voluntary Surrender of Land) Rules, 1989 in order to facilitate expeditious acquisition of land. As per Rule (3), if the landowner, in response to notice issued by Bengaluru Development Authority (BDA) under Land Acquisition Act, voluntarily handed over the possession of the land, the landowner was entitled for allotment of the site(s) under the incentive scheme apart from the land compensation paid. Rule (4) stated that the allotment of sites shall be at the discretion of BDA, but preferably in the layout for the formation of which the land was acquired and if such allotment was impracticable, in any other layout formed subsequent to the said layout.

GoK amended (August 2005) the incentive scheme rules with retrospective effect from 27 November 2002. The extent of developed sites to be granted to landowners under the incentive scheme rules 1989 and the amended rules 2005 was as shown in the **Table No. 2.8.1 below:**

Table No. 2.8.1: Details showing the extent of developed sites to be given under incentive rules

Sl. No.	Area of the land acquired by BDA	Developed land to be granted as per the Rules 1989 (prior to 27.11.2002)	Developed land to be granted as per the amended Rules 2005 (with effect from 27.11.2002)
1	Up to half acre	600 square feet (sq. ft.)	600 square feet (sq. ft.)
2	More than half acre but not exceeding one acre	1200 square feet (sq. ft.)	1200 square feet (sq. ft.)
3	Above one acre	600 square feet for every half acre of the acquired land.	One site of 2400 square feet (40 × 60) per acre of the land acquired but not exceeding 10 sites

Audit observed the following irregularities in allotment of sites under the Incentive Scheme:

- The BDA Board, in its meeting No.331/11 dated 24 October 2011, decided to treat the effective date of amended rules as 28 August 2000 instead of 27 November 2002 as notified by the Government in the Gazette. The Board's decision to change the effective date of applicability of amendment resulted in excess allotment and registration (July 2021 to September 2021) of developed land measuring 6600 sq.ft worth ₹ 2.30 crore to three allottees **(Sl No.1 to 3 of *Appendix-24*)** whose lands were acquired prior to November 2002.

- In five cases **(Sl No.4 to 8 of *Appendix-24*)** BDA allotted and registered (January 2015 to April 2019) developed sites in older layouts having higher guidance value in violation of Rule 4 of the Incentive Scheme Rules. Apart from allotment of sites in older layouts, the extent of sites allotted was in excess of prescribed norms by 5400 sq.ft. This resulted in undue favour to the landowners to the tune of ₹ 8.24 crore**.**
- BDA had taken decision (October 2011 to December 2018) to allot incentive sites in 11 cases (***Appendix-25***) under amended rules 2005 though the lands were acquired prior to November 2002 which carried the risk of excess allotment of developed sites measuring 32,400 sq.ft. However, the details of allotment/registration of the above sites were not furnished despite repeated audit requisitions.

Audit could not ascertain the rationale for the decision of the BDA board to prepone the effective date of implementation of amended Incentive Scheme Rules. The decision of BDA Board to prepone the effective date of implementation of amended Incentive Scheme Rules resulted in allotment of excess developed land measuring 12,000 sq.ft . Also, allotment of incentive sites to landowners in layouts which were established before the formation of layout for which the land was acquired, was in violation of the Rules. The above irregularities resulted in providing undue benefit to the landowners to the tune of ₹ 10.54 crore.

The audit observation was brought to the notice of BDA/Government through the Inspection Report, Draft Note and Draft Paragraph (November 2022-March 2023). The reply is yet to be received (June 2023).

Recommendation 19:

Government should fix responsibility on BDA officials who were responsible for excess allotment of developed land under the Incentive Scheme Rules due to preponement of the effective date of implementation. BDA should also examine whether such omissions have occurred in other allotments to ensure that they were carried out as per the provisions of the relevant rules.

2.9 Loss of revenue due to non-levy of betterment tax

Failure of Bangalore Development Authority to follow the due procedure prescribed for collection of betterment tax even after three years of Government approval authorising its collection, resulted in realisation of only ₹ 3.22 crore out of ₹ 3,503.63 crore projected to be collected from Arkavathy and Nada Prabhu Kempe Gowda layouts.

Section 20 of the Bangalore Development Authority (BDA) Act, 1976 (Act) provided for levy and collection of betterment tax on properties which were not required for execution of any development scheme by BDA but whose market value had increased as a result of execution of the development scheme[53]. The

[53] The development scheme refers to any building, engineering or other operations works taken up for development of Bengaluru Metropolitan Area.

betterment tax to be levied was one third of the difference in value of land on completion of the scheme and prior to the execution of the scheme.

Section 21 of the Act prescribed the following procedure for assessment and fixation of betterment tax by BDA:

- pass resolution declaring that the development scheme had sufficiently advanced for calculation of betterment tax.
- issue notice to each person assessed to be liable for payment of betterment tax.
- assess the amount of betterment tax payable by each person after providing sufficient opportunity (three months from the date of issue of notice) to him to inform BDA in writing whether he accepted the assessment.
- in case of non-acceptance or failure to provide reply to the notice issued, BDA should refer the case to the District Court for determination of betterment tax payable.

Section 22 of the Act stipulated that the betterment tax determined under section 21 should be paid within such time as specified by BDA together with interest at such rates as may be prescribed. Section 23 of the act stipulated the mode of recovery of betterment tax in cases of default in its payment.

BDA notified[54] land measuring 4814 acres 15 Guntas and 3839 Acres 12 Guntas for development of Nada Prabhu Kempe Gowda layout (NPKL) and Arkavathy layout respectively. The BDA Board accorded (April 2017) approval for levy of betterment tax in NPKL and Arkavathy Layout in respect of properties which were initially considered for development but were later excluded in the final notification. Accordingly, BDA identified land measuring 610 acres 02 Guntas in respect of 315 landowners at the rate of ₹ 80,208 per gunta in NPKL and 2262 acres 15 Guntas at the rate of ₹ 3,65,536 per gunta in respect of 1699 land owners in Arkavathy layout for levy of betterment tax. As per the rates fixed, the betterment tax amounted to ₹ 195.72[55] crore in NPKL and ₹ 3307.91[56] crore in Arkavathy layout. Government also accorded approval (February 2018) for the proposal of BDA to levy betterment tax in NPKL and Arkavathy layouts and issued (March 2019) gazette notification in this regard for Arkavathy layout. However, the Gazette notification for levy of betterment tax in NPKL was yet to be issued (December 2022).

Audit observed that as against the projected betterment tax of ₹ 3,307.55 crore from Arkavathy layout and ₹ 195.72 crore from NPKL, BDA could collect only ₹ 3.22 crore as betterment tax from April 2019 to March 2022. BDA did not make efforts for collection of betterment tax as the following procedures prescribed under the Act were not followed:

[54] Preliminary notification was issued on 3 February 2003 for Arkavathy layout and on 21 May 2008 for NPKL

[55] {(610 acres x 40) + 2 } guntas x ₹ 80,208 = ₹ 195.72 crore.

[56] {(2262 acres x 40) + 15} guntas x ₹ 3,65,536 = ₹ 3,307.91 crore.

- In NPKL though the Government had approved (February 2018) for levy of betterment tax, Gazette notification was yet (December 2022) to be issued. BDA did not take follow up action on the issue of the notification.
- BDA did not issue notices under Section 21 to individual landowners intimating the assessment of betterment tax. Hence, the landowners were not legally bound to pay the betterment tax until receipt of such notice.
- BDA did not issue any orders prescribing time limit for payment of betterment tax as prescribed under Section 22.
- BDA had not prepared any demand collection and balance register for proper assessment, collection and accounting of betterment tax.

Due to the above lapses, BDA could collect (up to March 2022) only ₹ 3.22 crore out of ₹ 3,503.63 crore betterment tax projected from Arkavathy layout and NPKL despite having legal authority and necessary approval from the Government. It is pertinent to mention that BDA had paid interest of ₹. 18.82 crore on outstanding loan of ₹ 237.02 crore for 2019-20 and ₹ 15.84 crore on outstanding loan of ₹ 146.36 crore for 2020-21, which was avoidable had BDA made earnest efforts to realise potential revenue sources such as betterment tax. Thus, the lackadaisical effort of BDA in raising internal revenue from legally enforceable avenues indicated poor financial management.

The audit observation was brought to the notice of BDA/Government through the Inspection Report, Draft Note and Draft Paragraph (January-March 2023). The reply is yet to be received (June 2023).

Recommendation 20:

The BDA should take immediate action to carry out the procedures prescribed in the BDA Act to enable the assessment, collect the betterment tax and maintain requisite records for its proper accounting.

2.10 Adoption of inappropriate price index resulting in avoidable extra expenditure

Adoption of inappropriate price index to regulate price adjustment for steel pipes in water supply works by Bengaluru Water Supply and Sewerage Board resulted in avoidable extra expenditure of ₹ 2.63 crore.

In order to address the frequent fluctuation in basic rates of construction materials, Government of Karnataka (GoK) issued (November 2008) orders allowing price adjustment in the form of star rates for specified materials (cement, steel and bitumen) for works costing more than ₹ 50 lakh, and where period of execution was more than six months but less than or equal to 12 months. The price adjustment was to be calculated based on the price index issued from time to time by the Ministry of Commerce and Industry, Government of India.

Bengaluru Water Supply and Sewerage Board (BWSSB) took up the work of providing and laying clear pipeline from Gandhi Krishi Vigyan Kendra

reservoir to Hennur Banswadi Road reservoir under AMRUT scheme at an estimated cost of ₹ 56.10 crore. The work, after due tender process, was entrusted (August 2016) to a contractor at the tendered cost of ₹ 46.12 crore with stipulated completion period of 12 months. The work was completed (February 2020) at a total cost of ₹ 50.40 crore including nine price adjustment bills.

The contract agreement of the above work, included a clause to regulate the price adjustment on account of increase or decrease in rates of cement, steel and MS pipe components of the work based on all India wholesale price index issued by Government of India (WPI series 2004-05[57]).

Audit scrutiny (September 2022) of the contract documents revealed that the Board had adopted the WPI of the item "Steel Plates" under sub group of "Steel: Flat" for regulating the price adjustment of MS Pipe component. The appropriate index to be adopted was 'Steel welded pipes" under the sub-group "Steel: Pipes and Tubes" of the WPI. This was also reiterated in the clarification issued (October 2010) by Finance Department, GoK to Karnataka Urban Water Supply and Drainage Board that price adjustment for fluctuation in price of steel pipes used in water supply schemes was to be regulated by adopting the index of the sub-group "Steel: Pipes and Tubes" of the WPI series having base period 2004-05. The excess expenditure due to adoption of incorrect index for price adjustment worked out to ₹ 2.63 crore as detailed in the ***Appendix-26***.

Government in its reply (May 2023) stated that since the base price index for the sub-group "Steel Plates" was more than that of "Steel Pipes and Tubes" at the time of tendering, the same was adopted as price adjustment was calculated based on the base price index. It was further stated that the bidder would have quoted his rates considering the base index adopted in the tender for price adjustment calculation.

The reply was not acceptable as the action of BWSSB was contrary to the Government instruction regarding price adjustment calculation to be adopted for steel pipes used in water supply works. Further, as claimed in the reply, the benefit of adoption of price index of a particular commodity group could not be forecasted at the time of tendering, as it was dependent on subsequent changes in price of that commodity group during the execution phase of the work.

Thus, adoption of incorrect index for price adjustment of MS pipes in the agreement resulted in extra expenditure to the tune of ₹2.63 crore**.**

Recommendation 21:

BWSSB should fix responsibility on officials who were responsible for flouting Government instructions regarding price adjustment calculation.

[57] Effective from August 2010 to March 2017 which was applicable at the time of tender notification

Public Works Department

2.11 Avoidable extra cost

Non-settlement of land compensation dues in full had resulted in extra interest of ₹ 7.47 crore to be borne by the Government which was avoidable.

Article 153 of Karnataka Financial Code stipulates that in cases of acquisition of land for public purposes, the departmental officers should see that payment or compensation is not delayed. The delay in settling land compensation payment entail payment of interest which would result in additional cost to the exchequer. For speedy disposal of land acquisition claims on account of Court decrees, the Government instructed (January 2005) that Land Acquisition Officers (LAO)/ Heads of Administrative Departments should seek release of funds immediately from the Finance Department (FD) to avoid attachment orders of contempt of court by furnishing details of the case. In cases where complete details were not available, the cases would be referred to an Empowered Committee headed by the Chief Secretary for releasing the funds.

Scrutiny of records (March 2021) at the office of the Executive Engineer, PWD Division, Dharwad (EE) relating to 31 cases of land compensation payment revealed that compensation was paid[58] between July 2009 and June 2013 as per the award issued by the LAO. Aggrieved by the inadequacy of compensation awarded by LAO, the landowners approached (2009-2016) Courts. In these cases, the Courts awarded decree (between September 2016 and January 2020) in favour of the landowners enhancing the compensation amounts. The decrees have also ordered that interest at the rate of 9 *per cent* for the first year and at the rate of 15 *per cent* from the second year would be payable till the date of payment. As per the decree interest accrues from the date of issue of 4 (1) notification[59] under the Land Acquisition Act, 1894 or the date of taking possession of the land by the Department, whichever is earlier. In addition to the higher compensation, the landowners were also eligible for receipt of solatium (30 *per cent*), additional market value (12 *per cent*). Accordingly, enhanced land compensation of ₹14.14 crore and interest of ₹12.18 crore was due as on the respective decree dates.

However, the Department did not seek release of funds from the FD to settle the claims of all the landowners immediately after issue of Court orders. Instead, payments were made on piece meal basis as and when the LAO preferred the claims. This led to accumulation of avoidable interest burden on the State Exchequer. The avoidable interest paid as of July 2021 in 21 cases (for cases Sl. No. 1 to 21 of the ***Appendix-27***) and avoidable interest paid/payable as of March

[58] 02/07/2012 for Sl Nos 1-20, 23, 24, 29 to 31, 05/03/2010 for Sl No 21, 15/07/2009 for Sl No 22, 29/06/2013 for Sl Nos 25 to 27 and 14/03/2013 for Sl No 28 as detailed in the ***Appendix-27.***

[59] It is the preliminary notification declaring the intent of the Government for acquiring land for public purposes.

2022 in 10 cases (for cases S.No.22 to 31 of the ***Appendix-27***) aggregated to ₹7.47 crore as shown in the table below.

Table No.2.11: Avoidable payment of interest

(₹ in crore)

Sl. No.	No. of Cases	Enhanced compensation amount	Amount outstanding out of column (3) as on March 2022	Interest accrued	Avoidable Interest		Total avoidable interest
					Paid	To be paid	
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	(8)
1	21	7.52	0	6.63	3.85	0	3.85
2	10	6.62	6.48	5.55	0.20	3.42	3.62
Total	**31**	**14.14**	**6.48**	**12.18**	**4.05**	**3.42**	**7.47**

The interest paid for the period after the Courts decrees till the date of payment of compensation in full was ₹ 4.05 crore in 22 cases and in nine cases accrued interest ₹ 3.42 crore was outstanding as of March 2022 was avoidable in case the Department had made timely and prompt payment of enhanced compensation together with interest as ordered by Courts.

Further, it is to be noted that there is still outstanding compensation amount of ₹6.48 crore which creates further additional burden towards interest till entire amount is paid together with interest accrued.

After this was pointed out, Government replied in November 2021 and in May 2022 that:

- Division cannot write for requirement of grants to the FD directly.
- Division has requested through proper channel i.e, through Superintending Engineer (SE), Chief Engineer (CE) and then from CE to Government (PWD).
- Government is releasing funds keeping in view their overall commitments and priority. Hence the additional burden of interest as pointed out by audit was inevitable.

Reply is not tenable for the following reasons:

- The mechanism prescribed in circular instructions was meant to avoid additional burden to the Government wherein the LAO/department can directly seek funds from Secretary (Budget and Resources), FD.
- The details of request for grants made by Divisions through proper channel before March 2021 are not forth coming from the records/reply of the Government.
- The CE's letter enclosed by Government in their reply states that the delay in payment of compensation would lead to increased interest

liability. However, the interest rate being 15 *per cent per annum* which has been very high in an otherwise low interest rate regime had not been clearly communicated to the Government (PWD). Disposal of land compensation claims on account of court decrees at the earliest was in the best interest of the State Government even if overall commitments and priorities are considered in view of very high interest rate stipulated by Court decree.

Recommendation 22:

The Government must ensure fast track mechanism by creating a separate budget line for prompt and timely payment of land compensation so that the compensation amounts ordered by Courts are settled without any delay.

2.12 Non-acquisition of required lands before commencement of works

Omission to include the cost of acquisition of land in the estimates followed by failure to acquire the required land before entrusting the works to contractors had led to abandonment of work in one case and in the other case, a bridge constructed remained without approach roads.

Karnataka Public Works Departmental Code, 2014 (KPWD Code) specifies [60] that provision for land acquisition involving huge amounts shall form part of the major project estimates. Separate estimates may be prepared for acquisition of land and be sanctioned first and only after the required land is in possession of the Department, tenders for the works be invited. No work shall be included in the Appendix-E[61] without possession of land. Further, the KPWD Code stipulates that the Executive Engineer (EE) and Assistant Executive Engineer (AEE) shall have access to the data under 'Bhoomi'- digitised land records database of Revenue Department, Government of Karnataka. This facilitates the PWD to assess the extent of land to be acquired for new works, payment of compensation etc. The control measures prescribed under KPWD Code are detailed in the ***Appendix-28***.

However, it was noticed in PWD Bengaluru Division and PWD, NH Division, Vijayapura between September 2020 and December 2022 that the EEs concerned had not adhered to the provisions of KPWD Code with regard to acquisition of required land for works before commencement of the work. As a result, two works on which expenditure of ₹ 3.29 crore and ₹ 3.60 crore had been incurred till August 2018 by the Department remained unfruitful as of January 2023. The details are as follows:

[60] Paragraph 30, 75, 81 and 135 of the KPWD Code, 2014.

[61] List of works proposed to be executed in the ensuing financial year for which Annual Budget is tabled before State Legislature.

2.12.1 Construction of Bridge across Dakshina Pinakini River by EE, PWD, Bengaluru.

The work of 'Construction of Bridge across Dakshina Pinakini River at Honnammanakatte near Harohalli on Link Road from NH-207 to SH-35 via Muthkuru, Damodaranagara, Harohalli, Ajagondanahalli in Hosakote Taluk, Bengaluru Rural District' was technically sanctioned by the Chief Engineer, Communications and Building, South Zone, Bengaluru (CE) in July 2016. In the estimates submitted to CE for technical sanction no provision was made for land acquisition for construction of approach roads. It was proposed to acquire required land through Revenue Department by granting alternate land to the owner of the land.

Picture No. 2.12.1: Bridge constructed across Dakshina Pinakini River near Harohalli

The EE, PWD, Bengaluru entrusted this work to a contractor in March 2017 allowing 15 months (June 2018) for completion of the work for ₹ 4.90 crore. Though the entire work including approach roads on either side of the bridge was to be completed by June 2018, the contractor had completed only the bridge as of August 2018 and was paid ₹ 3.29 crore in December 2018. It was noticed that the contractor had brought to the notice of the Department (June 2018, February 2019 and in September 2019) that the land owners were not allowing to commence the construction of approach road towards Muthkur.

The Division, after receipt of first two letters from the contractor, prepared an estimate of ₹ 1.25 crore for land acquisition for approaches, which was approved only in May 2019. The amount was deposited with the Assistant Commissioner, Doddaballapur (Revenue authority) during August 2019. Thus, entrusting the work to contractor without acquiring the land required for the work was a clear violation of provisions of KPWD Code.

On the issue being pointed out, the EE (December 2020) replied that the land purchase committee had finalised the rates (August 2020) and the land would be registered shortly and the approach road would be completed. Further, EE also stated (December 2022) that proposal for construction of retaining wall had been submitted and the work of construction of retaining wall and approach road would be taken up shortly. Thus, in the absence of approach roads, the

expenditure incurred on construction of bridge continued to be unfruitful even after four years.

2.12.2 Improvement to Kumatagi to Ukkali road (Construction of Bridge)

The improvement to Kumatagi to Ukkali road in selected reaches in Basavana Bagewadi taluk of Vijayapura district (Construction of Bridge), administratively approved by Government (November 2016) for ₹10 crore, was technically sanctioned (February 2017) by the Chief Engineer, National Highways, Bengaluru (CE-NH). The scope of the work involved construction of bridge over Don river. The work was entrusted (October 2017) to a contractor[62] at the tendered rate of ₹9.83 crore. The agreement was executed (October 2017) stipulating completion of the work within 11 months i.e., by September 2018. However, after partially tackling the pile foundation, the contractor stopped the work in August 2018. As per records, the contractor was paid ₹3.28 crore and 2nd R.A bill, received for ₹32.13 lakh, was pending since August/September 2018 and the work was still incomplete as of December 2022. Scrutiny of records revealed that the owners of the lands, which were required for construction of approach roads, were obstructing the work. It was also noticed that the contractor had requested (June 2022) for foreclosure of the contract under 'as is where is' condition. Accordingly, the Department proposed (October 2022) for foreclosure of the contract and to take up the balance work after required land was duly acquired. In this regard the following observations are made:

Picture No. 2.12.2: Improvement to Kumatagi to Ukkali road

- Though the Work Estimate provided for construction of 120 meters of approach roads on either side (Kumutagi and Ukkali sides) of the bridge, no provision was made for land acquisitions in the work estimate. Thus, the estimates prepared by AEE and EE were defective and not in compliance with KPWD code 2014.

[62] Sri A M Guddodagi.

- Request for land acquisition was made to Revenue Department only in February 2020, 18 months after the stoppage of work by the contractor.

- Assessment of land for construction of approach roads and provision for land acquisition were not ensured by the CE-NH before according technical sanction.

The cost of balance work was assessed at ₹6.23 crore[63] at the original tendered rate. The foreclosure proposal was yet to be approved by the Government (December 2022).

Thus, faulty planning in terms of non-assessment of the required land for construction of approach roads for the proposed bridge and taking up work without acquiring the land has not only led to abandonment of the work after incurring unproductive expenditure of ₹3.60 crore but could also result in wasteful expenditure.

On this being pointed out (December 2022), it was replied by the Division that the progress of work was delayed due to land-owners' agitation for non-payment of land compensation and non-payment of bills to the contractor in time. Hence, in view of the Government directions, a foreclosure proposal was submitted to the Government. The reply was, however, silent on the completion of the work.

The matter was reported to the Government in March 2023 and their reply has not been received (June 2023).

2.13 Excess and unauthorized payments on fake work bills

Government money to the extent of ₹ 1.78 crore was misappropriated by preparing fake work bills.

The extant rules and regulations brought out in the Karnataka Public Works Departmental (KPWD) Code and the Karnataka Public Works Accounts (KPWA) Code lay down the detailed procedure for taking and recording of measurements, preparation and submission of Running Account (RA) of bills, scrutiny of bills at divisional office and maintenance of bill register. Further, the rules also prescribe maintenance of a Register of Works, to record details of the sanctioned work together with payments/expenditure incurred in respect of a work including voucher details. The payment details should be noted in the Measurement Book concerned once the payment is made for compulsory check to avoid making double payment. For works costing more than ₹ 25 lakh, the contractor must submit the electronic spreadsheets of measurements and a hard copy of the spreadsheets should be printed for taking countersignature of the contractor/his authorised person as an acceptance of these measurements and an Index Register should be maintained for each work (See ***Appendix–29*** for Check Measures prescribed).

[63] 9.83 crore minus ₹3.60 crore

However, it was noticed that in PWD Division, Koppal the Register of Works was not maintained as prescribed. It was also noticed (March 2021 and October 2022), that there were measurements followed by payments towards RA Bills for works that were not sanctioned/approved for the Division. Also, there were payments made to unauthorised persons or additional amounts paid to the contractors by preparing fake measurements and RA Bills (details are given in ***Appendix-30***). Misappropriation of Government money by preparing fake work measurements and RA bills amounted to ₹1.78 crore as shown in the table below**.**

Table No.2.13.1: Details of unauthorized/excess payments made

Sl. No.	Type of irregularity Noticed	Number of cases	Amount paid on fake bills (₹ in lakh)
1.	Payments made to un-authorised persons by preparing fake work measurements and bills in addition to payments made to contractors for the work done by them.	3	103.09
2.	Payment made to unauthorised person by referring to the agreement and measurement of work done by the contractor.	1	18.48
3.	Additional payment made to a contractor by preparing two additional measurement books and RA bills within the scope of the work.	1	37.56
4.	Omission to adjust payment already made on 2nd RA bill in the final bill led to excess payment to a contractor.	1	18.46
	Total	**6**	**177.59**

The misappropriation or fraudulent payment of this nature indicate collusion of departmental personnel with the contractors. This needs to be investigated and responsibility fixed besides recovering the extra payment made to contractors.

In addition, in five cases listed in ***Appendix-31***, copies of the RA bills indicated that payments made to the contractors for the works in the previous bills were not adjusted while authorising payments in the subsequent RA bills. Also, there were references to multiple MBs prepared for the same work executed by the same contractor as shown in sl.no.3 and 4 of the Table above. Original vouchers relating to payments made to contractors were not produced to Audit in these cases. Excess payment to contractors amounting to ₹ 51.03 lakh in these cases cannot be ruled out.

On these cases being pointed (April 2021), the Division replied (June 2022) that in respect of three works[64], an amount of ₹ 53.63 lakh has been recovered. While recovery is only a process, whether the system deficiency has been addressed to ensure that such instances do not recur in future should have been included in the response. Also, the reply was silent about the action initiated

[64] (1) Annual Maintenance of Kushtagi-Pattadakal road- ₹ 24,40,204, (2) Annual maintenance of (a) Gudur-Gajendragad road from km 9.4 to 12.8, (b) Junjalakoppa-Rampur Road from Km 0.6 to 8.7 & Km 12 to 30, (c) Kushtagi Pattadakal road to Malagitti road up to Taluk border from Km 0 to 6, (d) Kushtagi taluka border to Kumbalavathi road from 0 to 5.3 in Kushtagi taluk - ₹ 12,22,810 and (3) Annual maintenance of Garjanal Bagalkot district border road from Km 0.00 to 46.00 - ₹ 17,00,000.

against the personnel responsible for such payments. With reference to observations brought out in ***Appendix-31,*** replies have not been furnished yet (June 2023).

Thus, the non-compliance with the prescribed control mechanisms of KPWD Manual in the Division had led to these excess payments to contractors.

Recommendation 23:

The excess payment made be recovered by the Department and Government may investigate the matter and fix responsibility for making irregular payments.

The matter was referred to Government (December 2022); their reply is awaited (June 2023).

2.14 Avoidable extra expenditure

Cancellation of tender process and initiating fresh tender process for the work due to defective tender document, instead of entrusting the work to successful bidder with Change of Scope not only caused additional financial burden of ₹ 3.73 crore to the public exchequer but also delayed the completion of the work, which caused inconvenience to public.

Karnataka Public Works Departmental Code 2014 (KPWD Code) stipulates[65] that the Executive Engineer (EE) shall prepare contract documents including a complete set of drawings showing general dimensions of the proposed work including Bill of Quantities (BOQ[66]) of various descriptions of work.

The estimate for the work of 'Providing permanent restoration of valley side slips from Km 86.20 to 99.20 (Charmadi Ghat) of NH-73 Mangalore-Tumkur Section' on Engineering, Procurement and Construction (EPC) basis was approved (March 2020) by the Technical Committee. The work, estimated to cost ₹ 17.35 crore[67], *inter alia,* provided for construction/repairs of damaged guard wall for a length of 3,830 Meters at a cost of ₹ 1.79 crore. Though the first three tender calls[68] were made between March 2020 and September 2020, none of the bids received were approved. In the bids received during the fourth call (September 2021), the lowest offer of M/s HMBS Textiles (Agency) amounting to ₹12.37 crore, which was 28.70 *per cent* below the amount put to tender, was approved (December 2021) by the Financial Evaluation Committee. Letter of Acceptance was issued (December 2021) to the Agency stipulating that the work was to be completed within 180 days. It was also instructed that an agreement be entered into before 10.01.2022. Meanwhile, the Executive Engineer (EE), National Highways Division, Hassan informed (December

[65] Paragraph 167.

[66] Bill of Quantities: Bill of Quantities is the name given to a detailed statement of the different items of works, labour and materials which is estimated and will be required for the proposed work and therefore included in the tender documents.

[67] Cost of civil works including GST = ₹ 17.35 crore and excluding Contingencies, Supervision charges and agency charges.

[68] NIT No.EE/EHD/HSN/AE2/NIT/2019-20/16 dated: 20.03.2020.

2021) the Superintending Engineer (SE), National Highways, Bengaluru that the length of the damaged guard wall, which was 3,830 meters as per the sanctioned estimate, was wrongly mentioned as 1,149 M in the tender documents. It was also informed to the SE that the corresponding financial implication for execution of the remaining length of guard wall, as per the sanctioned estimate, would be ₹ 1.25 crore[69]. The Agency agreed to execute this additional work at the same quoted rates under a separate work order or through Change of Scope. However, the Chief Engineer (CE), National Highways, Bengaluru instructed (January 2022), to submit a revised tender schedule and call a short-term tender. Accordingly, fresh tenders (fifth call) were invited (January 2022) for the work with reference to the same estimated cost of ₹ 17.35 crore. The lowest offer of M/s AECS Engineering and Geotechnical Service for ₹ 17.35 crore was accepted (April 2022). An agreement was also executed in May 2022 allowing 18 months for completion of the work.

Thus, the defective tender documents prepared by the EE, NH Division, Hassan and decision taken by CE to invite fresh tender despite the successful bidder's consent to execute the balance work at the rates quoted in fourth call, which was 28.70 *per cent* less than the estimated cost, had resulted an additional expenditure of ₹ 3.73[70] crore. Besides, the process of retendering and finalisation took five months which had delayed the project to that extent. Further, the time for completion of the work, which was 180 days from the date of agreement in the NITs issued for the first four calls, had also been enhanced to 18 months in the agreement with the contractor.

On this being pointed out, Government replied in January 2023 and in May 2023 as under:

- The error in tender document was due to oversight. This happened due to preparation of tender document in March 2020. During that time people were in a distressed mental situation. Also, due to lockdown, many office staff couldn't attend the office and the Department had managed to invite tenders with the minimal staff.

- The successful bidder in the fourth call quoted the rate considering lower length of guard wall than the sanctioned estimate. If the length of guard wall was as per the sanctioned estimates, then the bidder might have quoted more tender amount.

The reply is not tenable for the following reasons:

- The Covid-19 lockdown, for the first time, was implemented with effect from 24th March 2020 only. The first call tender notification was issued on 20 March 2020 before the imposition of the first lockdown. Hence,

[69] The sanctioned estimate included ₹ 1.79 crore towards construction/repairs of guard wall of 3,830 meters length. Therefore, sanctioned estimate with respect to left out portion of guard wall of 2,681 meters (3,830 – 1149) works out to ₹ 1.25 crore.

[70] ₹ 17.35 crore –₹12.37 crore + ₹ 1.25 crore).

preparation of draft tender documents, scrutiny and approval thereof must have been done prior to that date.

- The entire difference in financial implication cannot be attributed to change in the length as the Department itself had stated, even at the rates adopted in the sanctioned estimates, the additional financial implication of the difference in length of the guard wall was only ₹ 1.25 crore. Further, the successful bidder had agreed to execute the work at the quoted rates of (-)28.70 *per cent* tender premium which works out to ₹ 0.89 crore only.

Further, under Article 13 of the EPC contract, the agreement forms for National Highways issued by the Ministry of Road Transport and Highways, provide for Change of Scope of the work before issue of Completion Certificate either by giving an instruction or by requesting the Contractor to submit a proposal for Change of Scope involving additional cost or reduction in cost. Thus, the erroneous tender document had not only caused additional financial burden to the public exchequer but also delayed the completion of the work, which caused inconvenience to public.

Recommendation 24:
Government may investigate the matter and fix responsibility for the additional financial burden and delay in execution of work.

Department of Kannada and Culture

2.15 Unfruitful expenditure due to inadequate and improper planning

Delay in construction of Rangamandira for over a period of 10 years, splitting of works, non-adherence to KTPP rules led to an unfruitful expenditure of ₹ 4.19 crore.

Construction of Rangamandira (Theatre) was proposed in the district of Davangere by the District Commissioner (DC) in 2010. As against the estimated cost of ₹ 4.95 crore, administrative approval for the works was provided by the Kannada & Culture Department of Government of Karnataka in October 2010 limiting the capital outlay to ₹ 3.50 crore. The sanction order specified, *inter alia*, that the provision of Karnataka Transparency in Public Procurement Act, 1999 and the Government directions issued through circulars from time to time shall be followed strictly. An amount of Rupees one crore was also released to DC Davangere on the same date as first installment.

The work was, however, entrusted to Karnataka Rural Infrastructure Development Limited (KRIDL) without inviting tenders. The DC stated (March 2011) that the Executive Engineer, PWD Engineering Division, Davangere conveyed that tenders could be invited only if 40 *per cent* of the amount *i.e.* ₹ 1.40 crore is released. KRIDL prepared four separate estimates for the work which aggregated to ₹ 3.50 crore based on Scheduled Rates (SR) of the year 2011-12. The post-facto approval for the above decision was given by the Kannada and Culture Department in April 2011. The first installment of ₹ 0.50

crore was released to KRIDL and site was handed over for commencement of work in May 2011. The site was later found to be on disputed land. An alternate site was suitably identified and handed over in June 2012. The reasons for initially handing over a disputed land and delay in handing over an alternate land were not forthcoming to Audit.

An amount of ₹ 4.30 crore had been released to KRIDL till date, out of a revised estimated amount of ₹ 4.34 crore. The total expenditure incurred till May 2022 was ₹ 4.19 crore.

In October 2017, the President of Karnataka Nataka Academy conducted an inspection and gave recommendations for certain structural modifications like removing the pillars in the hall that were obstructing the view of spectators and additional requirements like lights and sounds systems, seating *etc*. KRIDL in consultation with Technical Consultant, prepared (January 2018) a line estimate of ₹ 5.56 crore, which included balance civil works of ₹ 3.32 crore and items like acoustics, stage flooring, stage and general lighting, sound systems, curtain systems, seating, stage grid and catwalk aggregating to ₹ 2.24 crore. Based on the recommendations, the DC Davangere requested (February 2021) release of additional grants of ₹ 4.03 crore. The approval for the same sought in February 2021 and is still pending (as on date March 2023).

In this connection, audit made the following observations:

- Rule 135 of the KPWD Code stipulates that 'All works shall be commenced only after issue of work orders by the competent authority, and signing of agreement and handing over the site free of any encumbrances". Initial handing over a disputed site was in violation the above cited rule.

- KRIDL was granted exemption under section 4(g) of KTPP Act for a period of one year effective from April 2011 enabling Department to place orders for construction of certain public buildings up to a limit of ₹ 1 crore without inviting tenders, which did not include Rangamandira. KRIDL, on entrustment of work, split the work of construction into four parts for four different floors, each amounting to less than ₹ 1 crore to avoid the process of tendering, violating the provisions of KTPP Rules and 4 (g) exemption order.

- Due to delay in implementing the project, the estimate for the work had to be revised to ₹ 4.34 crore adopting the SR of 2014-15 leading to a cost escalation of ₹ 0.84 crore.

- Additional Expenditure of ₹ 4.03 crore is required to make the building a functional Rangamandira (Theatre) due to poor design with pillars in the middle of the hall and non-inclusion of essential items like seating, lighting and acoustics required for a Rangamandira.

Thus, incorrect estimation of work, handing over a disputed land at the initial stage, violation of provisions of KPWD and KTPP rules by splitting of work and delays in work execution have resulted in non-completion of

Rangamandira, even after a lapse of ten years and with an unfruitful expenditure of ₹ 4.19 crore.

The matter was reported to the Government (November 2022); their reply has not been received so far (June 2023) even after repeated reminders.

Recommendation 25:
Audit recommends that a comprehensive estimate including all costs should be made before award of work. Further, relevant rules and regulations including KTPP Act, maybe strictly adhered to. Action may be taken to ensure timely completion of work to ensure that the building is put to use at the earliest.

Department of Tourism

2.16 Unfruitful expenditure

Inordinate delay in construction of Yatri Nivas at Gubbi led to unfruitful expenditure of ₹ 44.46 lakh and further cost escalation of ₹ 37.69 lakh.

The Department of Tourism, Government of Karnataka (The Department) accorded (July 2008) administrative approval for construction of Yatri Nivas at Sri Channabasaveshwara Temple in Gubbi for an amount of ₹ 76.37 lakh and an amount of ₹ 56.55 lakh was released to the Deputy Commissioner, Tumkur (the DC) upto August 2009.

The DC decided to construct Yatri Nivas through Karnataka Rural Infrastructure Development Limited (KRIDL) on the land acquired from the *Muzrai* Department. The Work Order was issued (January 2010) to KRIDL with a stipulation to complete the work by November 2010. An amount of ₹ 40 lakh was also released to KRIDL in two installments. Subsequently, based on the request (May 2012) of the Assistant Director of KRIDL that an expenditure of ₹ 49.52 lakh has been incurred, the DC released ₹ 9.52 lakh from the funds available with him. However, out of the released amount, the expenditure incurred by KRIDL was actually ₹ 44.46 lakh.

In the meanwhile, the temple committee raised (June 2012) objections for execution of work by KRIDL and requested the DC, Tumkur to change the executing agency. Accordingly, the balance work was entrusted (July 2012) by the DC to Nirmithi Kendra, which submitted an estimate (December 2012) for ₹ 31.40 lakh initially and later followed by a revised estimate (June 2016) for ₹ 43.60 lakh.

Subsequently, during the work progress review (June 2019), the Secretary, Tourism Department, instructed to take immediate action to complete the work by KRIDL itself. Accordingly, the Assistant Director of Department of Tourism requested (October 2019) KRIDL to submit the estimate to execute the remaining work. KRIDL submitted (November 2019) an estimate of ₹ 52 lakh for the balance work and a revised estimate for ₹ 69.60 lakh in November 2022

In this connection, Audit observed that though Nirmithi Kendra submitted its initial estimates as early as December 2012 and revised estimate in June 2016, the DC Tumkur failed to initiate prompt action on those estimates. The delayed entrustment of work back to KRIDL from Nirmithi Kendra resulted in non-execution of the balance works giving scope for cost escalation of ₹ 37.69 lakh. Further, cost escalation for completing the work cannot be ruled out as the administrative approval is yet to be given and three years have passed since KRIDL submitted its estimates for work completion. The reasons which prompted such unwarranted delay are not forthcoming from the records made available to Audit. The cost of the work which could have been completed for ₹ 76.37 lakh has escalated to ₹ 1.14 crore for its completion due to delay in execution by more than 12 years.

During the Joint Inspection (March 2022) with the Department officers, the Audit team noticed that the building construction was incomplete and abandoned, which paved way for anti-social elements to misuse the same.

Thus, inaction on the part of the Department and the DC to complete the construction of Yatri Nivas even after a lapse of 12 years from the date of commencement resulted in unfruitful expenditure of ₹ 44.46 lakh besides cost escalation of ₹ 37.69 lakh.

The Government, while agreeing to the observations stated (February 2023) that the work was stopped due to some technical reasons. A revised estimate for the balance work for ₹ 69.60 lakh had been submitted to the Tourism Department and the work would be taken up immediately after approval.

The fact remains that inaction by the concerned authorities has contributed significantly to an incomplete project and additional funds need to be expended to carry out the repairs and further construction.

Recommendation 26:
Audit recommends that the State Government should fix responsibility for the delay resulting in cost escalation and ensure that delay in execution of works is avoided.