

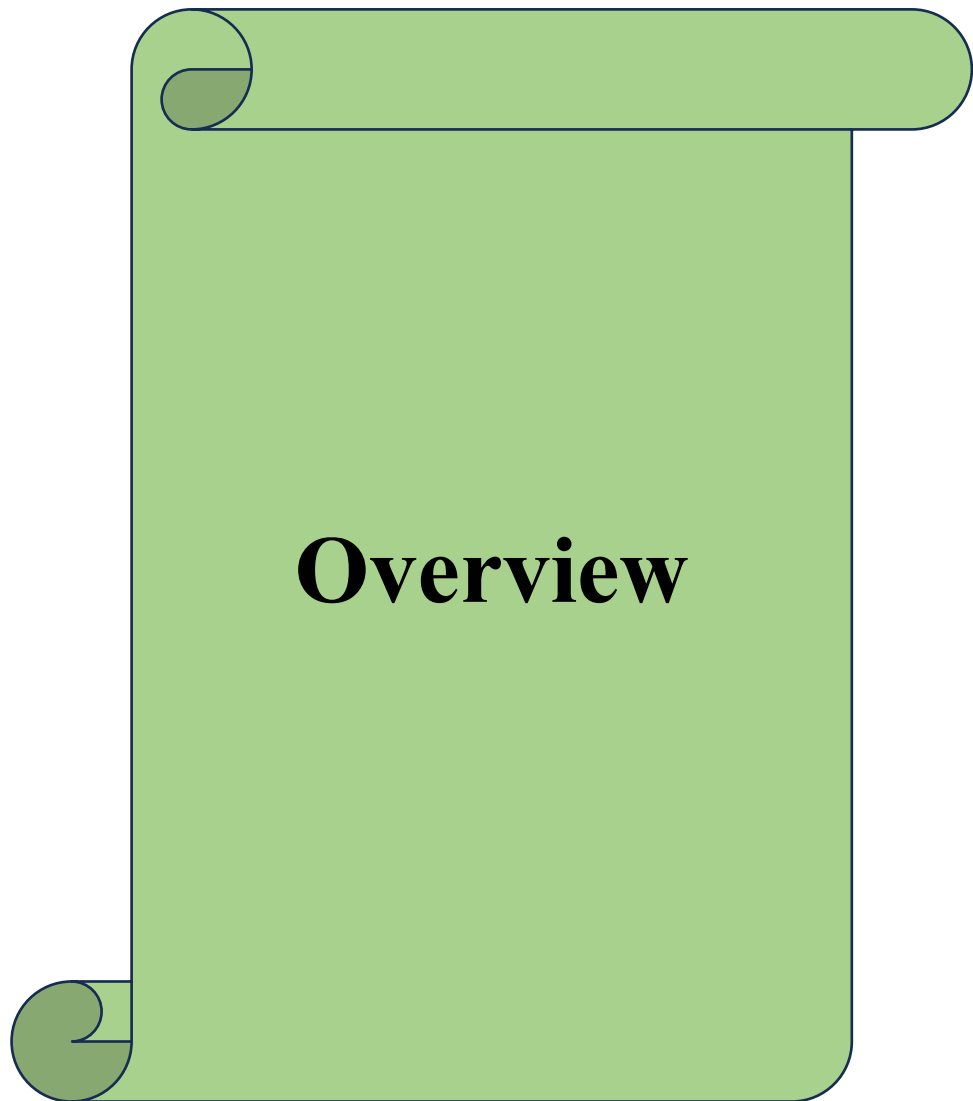
Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2023 has been prepared for submission to the Governor of Karnataka under Article 151 (2) of the Constitution to be tabled in the State Legislature.

This Report contains Subject Specific Compliance Audit of Department of Skill Development, Entrepreneurship and Livelihood (SDEL). Further, significant results of Compliance Audit of Department of Labour, Urban Development Department and Social Welfare Department are also included in this Report.

The instances mentioned in this report are those which came to notice in the course of test-audit for the period 2022-23 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports.

Audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



Overview

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This Report of the Comptroller and Auditor General of India (C&AG) contains one Subject Specific Compliance Audit and four audit paragraphs relating to Expenditure. Some of the major findings are mentioned below:

Introduction

Budget profile and application of resources of the State Government

During the year 2022-23, as against the total outlay of ₹7,17,164 crore, the application of resources was ₹7,05,758 crore. While the total expenditure (*i.e.*, total of revenue expenditure, capital outlay and loans and advances) increased by 36 *per cent* during the period 2018-19 to 2022-23, the revenue expenditure increased by 31 *per cent* during the above period. The revenue expenditure (₹2,15,584 crore) constituted 78 *per cent* of the total expenditure (₹2,76,183 crore) during 2022-23.

(Paragraph 1.2 and 1.3)

Responsiveness of Government to Audit

A total of 8,522 Inspection Reports containing 44,174 Paragraphs were outstanding against 47 departments as at the end of March 2023.

(Paragraph 1.10.1)

Status of placement of Separate Audit Reports of autonomous bodies in the State Legislature

The Karnataka State Commission for Protection of Child Rights (established in July 2009) has yet to submit the annual accounts since inception. Delay in finalisation of accounts carries the risk of financial irregularities going undetected, and therefore, the accounts need to be finalised and submitted to Audit at the earliest.

(Paragraph 1.11)

Compliance Audit

Department of Skill Development, Entrepreneurship and Livelihood

Subject Specific Compliance Audit on CMKKY

The Chief Minister's Kaushalya Karnataka Yojane (CMKKY), a flagship training scheme of the Department of Skill Development, Entrepreneurship and Livelihood (SDEL) was launched in May 2017 to skill five lakh youth annually. The scheme aimed at skill development through short term vocational skilling to enable employment, self-employment and entrepreneurship of youth in Karnataka. According to CMKKY guidelines, the training is to be provided by vocational Training Providers (TP) through the Training Centres (TC) under the Government, Private Sector and Industrial establishments.

The Taluk Skill Missions, mandated for skill gap assessment and coordination at the Taluk level, were not constituted in any of the 236 Taluks. Consequently,

planning for preparation of the State Annual Action Plan did not account for the requirements of skill development at the Taluk level. The Skill Department was to co-ordinate with identified departments and obtain the list of skill trainings imparted and prepare a convergence plan to integrate with CMKKY to maximise resources, avoid duplication and improve beneficiaries' quality of life. However, no convergence plan was prepared by the Skill Mission and thereby, the extent of potential overlap and duplication could not be ascertained.

The Skill Mission could not effectively utilize the available funds during the initial three years and there was a lapse of funds to the extent of ₹173.53 crore. The release of funds totaling ₹341.11 crore without the formulation of a need-based action plan resulted in unspent/unutilized balance (₹119.89 crore) lying with the agencies. There were instances of diversion of funds (₹7.56 crore) and excess release of funds (₹12.98 crore).

Between 2017-18 and 2022-23, the Skill Mission drew a total amount of ₹366.76 crore, out of which ₹230.01 crore was released and UCs for an amount of ₹93.47 crore were submitted by the implementing agencies, however the Mission could not obtain UCs for the balance amount of ₹136.54 crore released to the agencies.

Analysis of data of candidates revealed that out of 13,15,669 registered, 1,15,822 candidates were trained during the period from 2018-19 to 2022-23. However, out of the trained candidates, 3,487 were ineligible as they exceeded the age limits specified in the guidelines. Deficiencies were noticed in the Accreditation of the TCs such as lack of infrastructure, equipment and incorrect grading of TCs. Audit identified a critical gap in publicity efforts by the Karnataka Skill Development Corporation (KSDC), as candidates did enroll in the training, however there was a noticeable absence of initiatives from KSDC to publicize these modules, resulting in underutilization of the infrastructure created at the cost of ₹4.70 crore. The target envisaged by the Department/Skill Mission was found to be unrealistic as during the period 2017-2023 only 1,15,822 individuals were trained against the target of five lakh youth per year. Further, only 21,055 candidates (18 *per cent*) secured placements post-training, falling far short of the mandated 70 *per cent*.

In 88 training centres (TCs), covering 165 batches with a total of 4,652 candidates, the prescribed reservation quotas were not adhered to. Specifically, the number of Scheduled Caste (SC) and Scheduled Tribe (ST) candidates was significantly below the mandated 20 *per cent* (930) and seven *per cent* (325), with only 458 SC and 176 ST candidates registered for training. The District Skill Missions during their inspections also did not verify and ascertain whether the TCs were complying with the reservation policy.

There was a noticeable regional disparity in the implementation of training programs by the Skill Mission across various districts of Karnataka and in Bengaluru Rural, Kodagu, and Uttara Kannada districts, the proportion of candidates trained amounted to less than one *per cent* of the total trained in all districts over five years.

The scheme faced several shortcomings in monitoring and evaluation such as the non-constitution of a Governing Council, lack of concurrent-cum-comprehensive evaluation of the scheme, delay in settlement of claims by the Skill Mission, inability of DSDOs to fulfil their responsibilities by conducting regular inspections, etc.

Recommendation 1:

The State Government may

- ***form Taluk level missions to coordinate at field level and prepare the action plan in accordance with the scheme guidelines.***
- ***formulate a Convergence Plan to coordinate efforts with schemes of other Government departments and prevent duplication or overlapping of programs to maximize efficiency and impact of training initiatives.***
- ***set realistic annual training targets ensuring that regional imbalances are addressed and achieve these targets through effective monitoring.***
- ***regularly review outstanding balances with the implementing agencies to ensure financial prudence in utilisation of funds.***
- ***conduct effective Information, Education, and Communication (IEC) activities at the grassroots level to ensure widespread dissemination of information about the scheme and highlight the benefits of Future Skills modules.***
- ***strengthen the monitoring mechanism by implementing regular and systematic monitoring protocols to track the progress and performance of the scheme's implementation.***

(Paragraph 2.1)

Department of Labour

Compliance Audit on KSUWSSB and KLWB

The Karnataka State Unorganized Workers' Social Security Board (KSUWSSB) was formed in the year 2009 in accordance with Clause 6 of the Central Unorganized Workers' Social Security Act, 2008 (Central Act). The functions of KSUWSSB as envisaged in the Central Act include recommending to the State Government to formulate suitable schemes for different sections of the unorganized sector workers.

No members were appointed to the Board during the three years from 2019-20 to 2021-22 and the Board is yet to be reconstituted as of 31 March 2024. The Karnataka State Unorganized Workers' Social Security Board retained over ₹97 crore in unutilized funds. The Board had collected data on drivers, conductors

and cleaners of commercial vehicles, thus limiting the reach of the welfare schemes to workers of these categories.

The objective of the Ambedkar Karmika Sahaya Hasta Scheme was to register and issue identity cards under one title and one logo to 11 categories of unorganized workers. The Board had data for only 2,51,385 workers, whereas cross verification of *e-Shram* portal showed that there were 20,97,593 unorganized workers across 29 categories (other than Agriculture and construction workers) registered in Karnataka. On the directions of the Labour Department, the Board established *Karmika Seva Kendras* (KSKs) under Ambedkar Sahaya Hasta scheme to assist workers in the registration process and to enable availing benefits. As of July 2021, out of the appointed 1,123 KBs, only 243 KBs in five districts were actively working and only 3,052 applications were generated and finalized by these KBs.

The Board decided under “Ambedkar Karmika Sahaya Hasta” scheme to identify, register and issue smart cards to the notified 11 categories of the unorganized workers. The Board, instead of formulating schemes for all the 11 identified categories of un-organised workers, signed a Memorandum of Understanding (MoU) with KEONICS, for issuing 11,76,504 smart cards. However, 11,09,897 cards remained undelivered by KEONICS. The Board offered only one scheme, the Accident Benefit Scheme for drivers, conductors and cleaners of commercial vehicles, which was implemented since 2012-13. However, this scheme was restricted to only one category of unorganized workers.

Out of a total of 50,655 subscribers of the NPS Lite scheme, 24,839 subscribers in the specified age group were eligible for migration to the Atal Pension Yojana (APY). However, only 8,224 subscribers were migrated, indicating that the Board did not auto-migrate all the eligible subscribers to APY. A sum of ₹13.50 lakh for 1,009 NPS subscribers was lying unreconciled in the designated bank account (facilitator-wise bank account), which would impact the corpus and growth of funds of the NPS subscribers.

The Karnataka Labour Welfare Board (KLWB) was established (1969) under the Karnataka Labour Welfare Fund (KLWF) Act, 1965 and the Karnataka Labour Welfare Fund Rules, 1968, to provide social welfare and other benefits to workers/labourers in organized sectors such as factories and establishments, co-operative societies, plantation workers and omnibus motor services.

The Board did not maintain a comprehensive contributor database and did not address substantial shortfalls in contributions, reflecting poor management. Despite a total receipt of ₹279.98 crore from 2018 to 2023 by the Karnataka Labour Welfare Board, expenditure of only ₹41.84 crore was incurred towards labour welfare schemes, highlighting underutilization of funds. The Board received ₹33.65 crore as unclaimed accumulations for the period 2017-18 to 2022-23, however had refunded (between October 2021 and September 2022) only ₹4.56 lakh relating to seven employees and that too, only based on requisitions by employees. Out of ₹100 lakh released (February 2020) by the Board to the Karnataka State Labour Institute (KSLI) for conducting training

programmes for Board staff and training on IEC programmes, an amount of ₹41.97 lakh was deemed inadmissible as ₹25.50 lakh was spent on trainees who were not the staff of KLWB, and ₹16.47 lakh was utilized on “International conference of the Government of Karnataka on Vision Zero” solely covered by Karnataka Building and Other Construction Workers’ Welfare Board (KBOCWBB).

The Board utilised a major chunk of its funds (ranging between 90 *per cent* and 98 *per cent* during 2018-23) on implementation of Educational Assistance to Children of the workers, with minimal progress in seven welfare schemes. The Board’s coverage of welfare activities amongst the beneficiaries was negligible compared to the number of employees contributing to the fund, as only 0.28 to 0.67 *per cent* of beneficiaries were covered under the scheme. An expenditure of ₹8.37 crore was incurred by the Board on the construction of *Samudaya Bhavans* (SBs); however, these SBs were not effectively utilised by the Board for labour welfare despite lapse of more than three to ten years rendering the expenditure unfruitful. As on 31 March 2023, there were 32 regular staff assigned responsibilities outside the Board, on whom salary expenditure amounting to ₹9.62 crore was incurred, which was avoidable.

Recommendation 2:

The State Government may

- *reconstitute KSUWSSB by nominating members and consider coverage of the welfare activities to all the 43 identified categories of workers.*
- *instruct KLWB to maintain a comprehensive database of workers/establishments from which contributions are to be collected.*
- *direct both Boards to increase Information, Education, and Communication (IEC) activities and actively promote the respective Board's schemes to ensure that they reach a larger number of beneficiaries.*
- *convey to both Boards that it is equally important to have well designed schemes which are not restricted to only education or accidents.*

(Paragraph 2.2)

Department of Social Welfare

Undue benefit to KEONICS and unfruitful expenditure

Non-ascertaining of the market price while placing orders for supply of Semi-Automatic Chapati Making Machines for hostels run by the Department of Social Welfare resulted in an extension of undue benefit of ₹14.04 crore to KEONICS and unfruitful expenditure of ₹0.71 crore due to non-assessment of requirements by hostels.

(Paragraph 2.3)

Recommendation 3:

The Government should initiate a comprehensive investigation into the procurement of machines at exorbitant prices. Further, a reassessment of requirements should be conducted, and necessary action should be taken to relocate the machines to deserving hostels.

Urban Development Department

Avoidable extra expenditure in laying of water supply pipeline

Karnataka Urban Water Supply and Drainage Board procured mild steel pipes with higher shell thickness in three water supply projects, resulting in avoidable extra expenditure of ₹5.12 crore.

(Paragraph 2.4)

Recommendation 4:

The Government may direct KUWS&DB to fix responsibility on the officers involved in approving the use of pipes with higher shell thickness to prevent the recurrence of such instances in future projects.

Avoidable Interest burden

Non-exercise of financial prudence in utilising funds earmarked for loan repayment led to avoidable interest burden to the tune of ₹22.42 crore by Karnataka Urban Water Supply and Drainage Board.

(Paragraph 2.5)

Recommendation 5:

The Government may direct KUWS&DB to adopt a proactive approach to managing its finances, particularly by prioritizing the reduction of outstanding loan liabilities in advance to mitigate higher interest rates on borrowed funds.