

CHAPTER III

PERFORMANCE REVIEWS

This Chapter presents three reviews and two long paragraphs. The performance reviews include review on 'Mahithi' – the Millennium Policy for Information Technology and Bio-technology-2000, review on Implementation of Child Labour (Prohibition and Regulation) Act, 1986 and review on Working of Minor Irrigation Projects. Besides, there are long paragraphs on Working of Government Film and Television Institute, Hesaraghatta and Stores procurement in Minor Irrigation Department.

INFORMATION TECHNOLOGY AND BIO-TECHNOLOGY DEPARTMENT

3.1 'Mahithi' – The Millennium Policy for Information Technology and Bio-technology - 2000

Highlights

State Government announced (March 2000) a new policy called 'Mahithi'-the Millennium Information Technology Policy, aimed at spreading information technology and related skills to rural youth, creating state-of-the-art infrastructure and offering various tax concessions to attract software entrepreneurs. The implementation of the policy had many deficiencies. Enrolment of students in computer education courses remained low since the Department failed to enroll the students from higher primary schools to the high schools which had vacant seats. During 2001-04, another 5.35 lakh students received education for less time than prescribed. Substantial portion of the Software Technology Park at Hubli, equipped with the state-of- the-art infrastructure was not made available to software entrepreneurs. The Indian Institute of Information Technology, Bangalore had been offering advanced training to engineering graduates without approval of the All India Council of Technical Education.

Out of 9.11 lakh students enrolled in 1,000 selected high schools, 5.35 lakh students received computer education for less than the prescribed minimum three hours per week; the agencies were, however, paid at full rates resulting in wasteful expenditure of Rs.29 crore.

(Paragraph 3.1.9)

Failure of the Department to enroll students from higher primary schools to such high schools as had vacant seats resulted in denying computer education to 1.78 lakh students of higher primary schools.

(Paragraph 3.1.10)

Software Technology Park at Hubli established at a cost of Rs.32.26 crore was not available to entrepreneurs due to non-transfer of title even after one and a half years of its acquisition.

(Paragraph 3.1.17)

Bio-tech Park had not been established despite purchase (February 2003) of 85 acres of land at a cost of Rs.13.96 crore due to litigation.

(Paragraph 3.1.19)

Expenditure of Rs.2.06 crore on purchase of 496 generators for imparting computer education in high schools was rendered unfruitful as funds were not provided for fuel.

(Paragraph 3.1.11)

The Indian Institute of Information Technology, Bangalore (IIITB) and the Karnataka Bio-technology and Information Technology Society (KBITS) diverted Rs.5.75 crore to purposes (rent and advertisement) other than those for which funds were released.

(Paragraph 3.1.7)

Four companies engaged in Information Technology Enabled Services were granted entry tax exemption of Rs.1.03 crore though these were not eligible.

(Paragraph 3.1.21)

No candidates were enrolled in five (out of 13) Yuva.com centres and the computers supplied to these centres remained idle, rendering expenditure of Rs.31.25 lakh unfruitful. Subsidy of Rs.20.32 lakh was paid in excess to the companies of which Rs.17.78 lakh were recovered as of September 2004.

(Paragraphs 3.1.13 and 3.1.14)

3.1.1 Introduction

Karnataka is in the forefront of Information Technology (IT) and registering tremendous growth. With the objective of retaining the pioneering position, ensuring further development of IT and increasing employment potential, State Government announced (March 2000) a new policy called 'Mahithi' - the Millennium Information Technology Policy. State Government also announced (March 2001) the Millennium Bio-technology (BT) Policy whose features were similar to that of 'Mahithi'. State Government performed the role of facilitator by identifying agencies and providing funds to achieve the objectives of the policy.

3.1.2 Objectives of 'Mahithi' - Millennium Policy on Information Technology and Bio-technology

Salient objectives of 'Mahithi' were as follows:

- Spreading of information technology to rural areas and to youth through Computer Education and Training
- Electronic governance of Government Departments
- Creation of infrastructure and providing fiscal incentives.

3.1.3 Organisational set-up

The following agencies implemented programmes of the Millennium policy as indicated against each:

Name of the Agency	Details of the programmes
Secretary to Government/ Director, Department of Information Technology and Bio-Technology (ITBT)	Framing of budget proposals, promotional activities, co-ordination and supervision of the work done by KEONICS and KBITS and overall monitoring
Karnataka Bio-technology and Information Technology Society (KBITS) established by State Government	Processing of claims of software companies for grant of tax concessions and their registration, processing of subsidy claims of companies running training centres, raising and utilisation of Housing and Urban Development Corporation (HUDCO) loan on purchase of land for Bio-technology Park
Karnataka State Electronics Development Corporation Limited (KEONICS)	Raising of loan through Mahithi Bonds, its utilisation on creation of infrastructure, training centres, IITB, etc.
Commissioner for Public Instruction (CPI)/Director, Department of State Educational Research and Training (DSERT)	Computer education in high schools

3.1.4 Audit objectives

Audit objectives were to assess

- Whether funds provided were judiciously utilised
- Extent to which computer education and training programmes reached the intended beneficiaries
- Extent of efficacy of infrastructure creation and fiscal concessions to attract software entrepreneurs
- Extent of implementation of electronic governance.

3.1.5 Audit coverage

The implementation of programmes during 2001-04 was reviewed through test-check of records in the Department of IT (DIT), KBITS, KEONICS, Police and Treasury Departments and Director, DSERT. Significant audit findings are discussed in following paragraphs. Out of total expenditure of Rs.309.18 crore, various programmes covering an expenditure of Rs.220.32 crore were audited.

Financial Management

3.1.6 Funds provided and expenditure

Funds for computerisation of certain Departments (Police, Treasuries, Revenue, etc.), IITB, computer education in high schools, etc., were provided from the budget. Funds raised through Mahithi Bonds were utilised for creation of infrastructure, imparting training, local area network in the Secretariat, Agro-Bio Informatic Centre, etc. Loan obtained from HUDCO was utilised on establishing Bio-technology Park and IITB, etc. The details of the funds provided and expenditure were as follows:

Year	Source of funds				Total funds	Expenditure				Total expenditure
	Budget Provision	ZPs	Mahithi Bonds	HUDCO Loan		Budget Provision	ZPs	Mahithi Bonds	HUDCO Loan	
2000-01	54.14	10.94	60.00	-	125.08	41.10	-	-	-	41.10
2001-02	72.01	-	-	-	72.01	59.32	10.94	60.60	-	130.86
2002-03	74.69	-	-	-	74.69	68.79	-	0.84	-	69.63
2003-04	48.64	-	-	19.84	68.48	47.90	-	-	19.69 [◇]	67.59
Total	249.48	10.94	60.00	19.84	340.26	217.11	10.94	61.44*	19.69	309.18

(Rupees in crore)

* Excess expenditure was met out of interest earned on Mahithi Bond Account

Expenditure of Rs.32.26 crore (paragraph 3.1.17) incurred from Mahithi Bond account remained unfruitful, while Rs.5.75 crore were diverted for different purposes as discussed in paragraph 3.1.7. Rupees.8.96 crore spent out of HUDCO loan also remained unfruitful as discussed in paragraph 3.1.19.

3.1.7 Diversion of funds

Out of the loan of Rs.20 crore obtained (May 2003) from HUDCO for establishing Bio-technology Park (Rs.16 crore) and expansion of IITB (Rs.four crore), KBITS under the orders of Secretary, IT&BT Department diverted Rs.1.75 crore on advertisement/promotional activities of the Department.

Similarly, IITB diverted Rs.four crore towards rent of building for the period 2000-04 out of capital grant of Rs.5.10 crore released during 2000-01 from Mahithi Bond Account. The Secretary, IT&BT justified (September 2004) diversion on the plea that fees collected from students were not sufficient to meet the rentals. However, diversion of capital grant towards recurring expenditure was irregular.

[◇] IITB-Rs.seven crore, IITH-Rs.0.75 crore, Bio-Tech Park-Rs.8.96 crore, others-Rs.2.98 crore

3.1.8 Non-utilisation of funds

Funds to the extent of Rs.1.36 crore remained unutilised with KBITS as detailed below:

- As of March 2003, KBITS earned interest of Rs.41.90 lakh on funds released to it by KEONICS from Mahithi Bond Account. According to instructions of Government (March 2001), interest earned was to be credited to Mahithi Bond Account. However, KBITS had not transferred the interest to Mahithi Bond Account.
- An amount of Rs.93.74 lakh recovered (October 2002 to January 2004) by KBITS from agencies running Yuva.com centres (training centres) towards the cost of supply of computers was retained by it, as there were no instructions from Government for its utilisation. The Secretary stated (September 2004) that these funds would be utilised for payment to the agencies running training centres.

Implementation of 'Mahithi' – The Millennium Policy for Information Technology

One of the objectives of Millennium Policy on IT was to spread information technology to rural areas through computer education and training. Details of targets, achievements and deficiencies are as follows:

3.1.9 Deficiencies in Computer Education

Government selected (August 2000) 1,000 high schools (A category-264, B category-272 and C category-464), one in each Hobli headquarters^Ψ and entered (December 2000) into agreements with three agencies viz., NIIT, APTECH and EDUCOMP for imparting computer education to students. These agreements stipulated, *inter alia*, that computer education would be provided for a minimum of three hours (four periods each of 45 minutes) per student per week, internet for two hours per student per annum and supply of computer hardware by the agencies. These agencies were eligible for payment of Rs.14.69 lakh, Rs.19.10 lakh and Rs.24.20 lakh per school in category A, B and C[⊗] respectively for a period of five years (payable on quarterly basis).

District and quarter-wise reports furnished (June 2001 to March 2004) by the nominated engineering colleges (one in each district) to DSERT indicated only the number of schools in which computer education was imparted for three hours, two hours and one hour. The details of student population, number of schools in each category and number of hours of computer education and computer aided education in core subjects were not indicated. The number of schools and student population receiving prescribed hours or less hours of

^Ψ Headquarters for a group of villages is called Hobli

[⊗] Schools with students' strength up to 150, 151 to 250, 251 to 550 categorised as A, B and C respectively

education as compiled by Audit on the basis of data collected from DSERT, were as under:

Year	Number of schools	Student population [♦] (in lakh numbers)	Number of schools	Student population [♦] (in lakh numbers)	Number of schools	Student population [♦] (in lakh numbers)	Number of internet hours to be provided	Actually provided
	With three hours		With two hours		With one hour		(in lakh numbers)	
2001-02	585	1.71	327	0.95	88	0.26	6.60	2.91 (44)
2002-03	447	1.39	389	1.21	164	0.51	6.32	1.91 (30)
2003-04	214	0.66	544	1.68	242	0.74	6.46	0.93 (14)

[♦] Total student population receiving computer education for three, two and one hour worked out considering average student strength per school.

Figures in brackets in the last column indicate percentage

Out of 9.11 lakh students, 5.35 lakh students received computer education for less than minimum of three hours

As against maximum enrolment capacity of 10.89 lakh students, 9.11 lakh* students were enrolled in these 1,000 high schools during 2001-04. Of these, 3.84 lakh and 1.51 lakh students received computer education for two hours and one hour per week respectively in 415, 553 and 786 schools during the period. While software for computer aided education in respect of two subjects viz., Science and English was not provided at all by the Department, computer aided education for other two subjects (Social Science and Mathematics) was provided from March 2003 after a delay of nearly two years.

Student population of 3.10 lakh^ψ was not provided training in internet facilities. The remaining students were provided training in internet for 52 minutes per student per annum on an average against required two hours.

These deficiencies were attributed (June 2004) by Director, DSERT to power shortages and power shutdown. Though, power shortage/power shutdown especially in rural areas was generally a known fact, State Government/ Director did not take cognisance of the same to initiate any remedial measures till May 2003, when petrol generators were supplied to 496 schools in categories A and B. These generators were also not put to use due to non-provision of funds for fuel.

Failure of the Government/Department to ensure adequate power supply to the schools and provide software for computer-aided education caused impediments in programme implementation. The agencies were paid Rs.91 crore at full rates (withholding Rs.two crore for not providing internet facility) in spite of the fact that there was shortfall in the number of hours of computer education provided in the schools during the three years. Instead of the prescribed three hours per week, only one to two hours of computer education per week was actually given. The payment made to the agencies at full rates for three hours per week led to wasteful expenditure of Rs.29 crore as detailed in **Appendix 3.1**.

* 2.92 lakh, 3.11 lakh and 3.08 lakh during 2001-02, 2002-03 and 2003-04 respectively

^ψ 1.41 lakh in 549 schools in 2001-02, 1.01 lakh in 355 schools in 2002-03 and 0.68 lakh in 264 schools in 2003-04

3.1.10 Students deprived of Computer Education

Due to non-compliance with instructions, 1.78 lakh students were deprived of computer education which could have been provided to them without any extra cost

According to instructions (June 2001) issued by Director, DSERT, students from higher primary schools were to be enrolled in high schools (selected under Mahithi) having less student strength than the maximum stipulated in the agreement. It was noticed that student strength in 781, 546 and 562 schools was less than the maximum during 2001-02, 2002-03 and 2003-04 respectively. Enrolment of students in 319, 322 and 240 schools during 2001-04 was less than 75 per cent of the maximum. As higher primary schools were available in such places, compliance with said instructions would have enabled 1.78 lakh more students of these schools to get the benefit of computer education without any extra expenditure as detailed below:

Year	Number of schools in			Number of students at maximum strength	Actual students enrolled	Deficiency
	A	B	C			
Category				(Numbers in lakh)		
2001-02	251	264	266	2.50	1.79	0.71
2002-03	144	146	256	1.99	1.47	0.52
2003-04	145	115	302	2.17	1.62	0.55
Total				6.66	4.88	1.78

CPI/Director at the State level also did not ensure compliance with the aforementioned instructions regarding enrolment of students. This resulted in denial of computer education to 1.78 lakh students. The Director, DSERT stated (September 2004) that this aspect would be looked into when the electric power position improves. The reply was not tenable, as the admission of 1.78 lakh students would have given them computer education for whatever duration was possible under the existing power situation.

3.1.11 Unfruitful expenditure on generators

Generators remained unused due to non-provision of funds for fuel

Though 496 generators were purchased at a cost of Rs.2.06 crore and supplied (May 2003 to July 2003) to 496 schools, the same had not been put to use as funds were not provided for fuel. While according sanction for purchase of generators (December 2002), Government instructed to purchase fuel from the funds allotted to School Development and Maintenance Committee (SDMC). However, SDMC did not provide funds due to financial constraints and Director/CPI also did not take any action. As a result, generators remained idle, rendering expenditure of Rs.2.06 crore unfruitful.

3.1.12 Training programmes

There were lapses like non-selection of candidates from BPL list, deficiencies in inspection, failure to upload bio-data of candidates on departmental website

In order to enable rural youth to get quality training in computer usage/information technology, as envisaged in the IT Millennium Policy, the State Government accorded (December 2000) sanction to establish 234 training centres. These training centres were called Yuva.Com Centres (Centres). One Government Undertaking (KEONICS) and three private companies (NIIT, APTECH and Software Solutions Integrated) established (January 2001 to August 2002) one centre in each assembly constituency. Government subsidised fees (50 per cent) charged by the companies from the trainees and provided infrastructure (computers, hardware) at Rs.6.25 lakh per centre. The

total expenditure incurred was Rs.16.11 crore (infrastructure-Rs.14.19 crore, subsidy-Rs.1.92 crore). These agencies were to impart training in various courses with different duration and curricula as approved by the Department of IT&BT for a period of five years and upload bio-data of successful candidates into the website of the Department to enable such candidates to secure jobs. Scrutiny revealed the following:

- The firms selected candidates for all the seats as the Zilla Panchayats (ZPs)/Taluk Panchayats (TPs) who were to select candidates up to 50 per cent of seats from below poverty line (BPL) families, did not do so.
- The officers of ZPs, Deputy Commissioners and the Project Director, Swarnjayanti Gram Swarozgar Yojana (SGSY) in each district were to visit centres and furnish reports to Chief Executive Officer (CEO), ZP and the Director, Information Technology and Bio-technology. But, such visits were not made. Periodicity of such visits had also not been prescribed except for Project Director, SGSY.
- Out of 86,355 candidates enrolled, 63,497 candidates completed (December 2003) training. However, bio-data of only 37,187 candidates was uploaded to the website of the Department. Details of candidates who secured employment were not available with the Department. No reasons were on record or furnished to Audit for the companies not claiming subsidy of Rs.52.60 lakh (at the minimum rate of Rs.200 per course per trainee) from the Government and also for not uploading the bio-data of the remaining candidates.

In the absence of periodical inspections, details of candidates sponsored by ZPs, non-disbursement of subsidy and failure of uploading of bio-data of candidates and evaluation of training in all centres, the claim of having trained 63,497 candidates and optimum utilisation of infrastructure supplied at a cost of Rs.14.19 crore was not susceptible to verification.

3.1.13 Non-utilisation of infrastructure in Yuva.Com Centres

Infrastructure supplied to five Yuva.com centres during January 2002 to April 2002 had not been put to use as no training was imparted in these centres. Thus, expenditure of Rs.31.25 lakh on supply of infrastructure to these centres was rendered unfruitful.

3.1.14 Excess payment of subsidy to Yuva.com centres

Failure to restrict subsidy to 50 per cent of fee resulted in excess payment of Rs.20.32 lakh

Scrutiny of disbursement cases of subsidy of Rs.1.92 crore revealed excess payment of Rs.20.32 lakh by KBITS to the companies. Excess payment was due to not restricting subsidy to 50 per cent of fees charged by the companies. State Government admitted (June 2004) the excess payment and recovered Rs.17.78 lakh as of September 2004.

3.1.15 Indian Institute of Information Technology, Bangalore (IIITB)

IIITB had been functioning without approval of AICTE

State Government approved (July 1998) establishing of IIITB. The Institute was registered under the Karnataka Societies Registration Act, 1960. IIITB, *inter alia*, offered advanced training courses in software to graduate engineers and awarded certificates on successful completion of courses without approval of the All India Council of Technical Education (AICTE). AICTE objected (May 2001) to conducting training courses without their approval and urged IIITB to withdraw courses. Despite these objections, 502 (2000-04) graduate engineers were awarded certificates in advanced training courses in software. State Government which had provided Rs.19.10 crore[♦] for the infrastructure, had not taken any action to get the approval of AICTE so far. State Government stated (September 2004) that IIITB had been making efforts to get approval of the AICTE.

3.1.16 Computerisation of treasuries under the programme of electronic governance

Most important objective of prevention of over drawal of funds in excess of Budget not achieved

Under the programme of electronic governance, the activities of treasuries along with those of a few other departments were computerised. Computerisation of treasuries was completed at a cost of Rs.36 crore through the Computer Maintenance Corporation of India and the Software Technology Park of India and the treasuries started rendition of compiled accounts from November 2002. Scrutiny of records in the Directorate of Treasuries revealed (April 2004) that the objective of timely rendition of accounts and prevention of withdrawal of funds in excess of budget provision had not been achieved. Funds were drawn in excess of budget provision under 38 Heads of Account while in respect of another 13 Heads of Account, provisions were incorrectly uploaded and 25 departments (out of 104 departments) did not upload budget provisions. Data on expenditure and revenue, DDO-wise, was also not generated. Further, there were delays ranging from 12 to 68 days in rendition of monthly accounts (27 treasuries for March 2003 and April 2003, 17 treasuries for October 2003, 20 treasuries for March 2004), besides non-submission of vouchers for Rs.10.11 lakh for November 2002 and repetition of voucher numbers.

Deputy Director of Treasuries (Network), Bangalore, stated (May 2004) that Chief Controlling Officers of some departments were not familiar with computerised formats and therefore, budget provisions were not uploaded.

Creation of infrastructure

The Mahithi policy provided for establishing Software Technology Parks (STP) at Hubli and Mangalore and incubation centres under the programme for creation of infrastructure. Scrutiny of records revealed that the objectives

[♦] Capital grant Rs.five crore in November 1998, Rs.two crore in January 2001 from budget grant, Rs.5.10 crore from Mahithi Bond Account and Rs.seven crore from HUDCO loan

of establishing STP, Hubli and incubation centres had not been achieved as discussed in following paragraphs.

3.1.17 Software Technology Park, Hubli

Failure to get title of the building even after five years rendered expenditure of Rs.32.26 crore unfruitful

KEONICS identified Hubli as the potential place for software development and took possession of a building with floor area of 3.40 lakh sq.ft. to establish a Software Technology Park (STP) after payment (February 1999) of Rs.one crore against the agreed value of Rs.23 crore. The building was built (1996-99) by Hubli Dharwad Municipal Corporation (HDMC) out of HUDCO loan. With the announcement of the IT Millennium Policy, Government accorded (November 2000) *post facto* approval for purchase of the building for Rs.15.84 crore only as against Rs.23 crore demanded by HDMC and decided to repay the loan to HUDCO. The Government also approved remodeling of the building which was completed (September 2002) at a cost of Rs.16.42 crore. As HDMC did not transfer the title of the building, demanding the value of Rs.23 crore as decided in January 1999, KEONICS could not market any space except 57,353 sq.ft. (40,129 sq.ft. to Software Technology Park of India (STPI) and IITB during September 2001 and December 2001, free of cost and 17,224 sq.ft. to four private entrepreneurs on monthly rent during April 2002, November 2002 and February 2004).

State Government stated (June 2004) that KEONICS was unable to market space due to non-transfer of title in its favour. KEONICS had also not recovered rent of Rs.63.66 lakh from the entrepreneurs and not entered into agreement with them for the same reason. Thus, failure of the Government to get the title transferred in favour of KEONICS even after five years of taking possession of the building with sale/lease area of 2.83 lakh sq.ft resulted in non-achievement of the objective besides rendering expenditure of Rs.32.26 crore* largely unfruitful.

State Government, in spite of availability of funds in Mahithi Bond Account also delayed repayment of loan to HUDCO till May 2001 due to administrative procedures, resulting in avoidable expenditure of Rs.3.27 crore towards interest.

3.1.18 Incubation Centres

Functioning of Incubation Centre was not ensured

State Government released grant of Rs.1.3 crore** to 13 engineering colleges located in different district headquarters through Deputy Commissioner of respective district, at the rate of Rs.10 lakh. Colleges were to establish Incubation Centres providing space, computers and communication facilities. New entrepreneurs desirous of setting up software business were to utilise facilities available in the Incubation Centres for short periods and pay rent for the period during which the facilities were used. Out of 13 Centres, utilisation

* Rs.29.03 crore out of Mahithi Bond Account and Rs.3.23 crore out of State Government budget

** December 2000 - Rs.10 lakh, March 2001- Rs.90 lakh, December 2001- Rs.20 lakh and March 2003 - Rs.10 lakh

certificates were furnished by 11 Centres while activity reports were furnished (August 2004 to October 2004) by nine Centres only. Scrutiny of their activity reports revealed that three Centres (Madikeri, Mandya established in March 2002 and Tumkur established in April 2004) were not functioning, two Centres (Shimoga and Chitradurga) were implementing job orders such as taking computer prints and remaining four Centres (Belgaum, Bellary, Uttara Kannada and Gadag) established between January to November 2002 functioned for one to six months only. Thus, the purpose of establishing Incubation Centres had not been achieved which rendered the expenditure of Rs.1.3 crore largely unfruitful.

3.1.19 Bio-technology park not established

KBITS purchased (February 2003) 85.85 acres of land from the Karnataka Industrial Area Development Board in Electronic City at a cost of Rs.13.96 crore (Rs.8.96 crore paid out of HUDCO loan and Rs.five crore by KEONICS) for establishing Bio-tech Park. The land, despite demand from certain companies for allotment, could not be developed due to litigation on certain portions of the land (10 acres). As such, the project of establishing Bio-tech Park had not taken off, in spite of huge investment out of borrowed funds. Consequently, the investment of Rs.13.96 crore remained unfruitful.

Tax concessions and advertisement charges

3.1.20 Decline in growth of Software Companies

As envisaged in the IT Millennium Policy, Government provided various tax concessions (sales tax exemption, entry tax exemption, rebate on purchase of land and stamp duty/registration charges) to attract software companies. The software companies were to register with KBITS to avail of tax concessions. Seven hundred and fifty seven software companies were in existence as of April 2000. Details of software companies established, registered with KBITS, companies which availed concessions and software exports during 2000-04 were as follows:

Year	Software exports (Rs.in crore)	Number of Companies		Concessions			
		Established	Registered with KBITS	Sales Tax	Stamp Duty	Entry Tax	Total
2000-01	7,475	165	-	-	-	-	-
2001-02	9,904	110	12	1	-	11	12
2002-03	12,350	116	32	1	12	6	19
2003-04	18,100	131	19	3	NA	3	6

KBITS had granted tax concessions aggregating Rs.60.90 crore. The impact of tax concessions on attracting software companies was marginal as only 37 companies out of 522 availed of the concession. The share of software export

had also declined from 38 *per cent* (2000-01) to 36 *per cent* (2003-04) of the total national exports[¶].

3.1.21 Grant of exemption of entry tax to ineligible companies

KBITS granted entry tax exemption of Rs.1.03 crore to companies though not eligible

Companies engaged in any of the sectors (computing devices, network controller cards, memory storage units, printers and output devices, networking products, software, power supplies to computer systems, networking/cabling, *etc.*) as stipulated in the IT Millennium Policy were considered software companies and were eligible for tax concessions. However, KBITS granted (2001-02 and 2002-03) entry tax exemption of Rs.1.03 crore to four companies engaged in Information Technology Enabled Services (ITES) (Call Centres, Medical Transcriptions, *etc.*). KBITS while conceding (March 2004) that ITES companies were not eligible for tax exemption as per the IT Millennium Policy, stated that Business Process Outsourcing (BPO) policy provided for such concession to ITES companies. However, BPO policy had not been approved by the State Government. Grant of entry tax exemption in anticipation of approval of BPO policy by the Government was irregular.

3.1.22 Excess payment of advertisement charges

Exorbitant rate for advertisement resulting in excess payment of Rs.58.58 lakh

Department of Information Technology entrusted the work of releasing departmental advertisements through newspapers and magazines to two firms during 2001-02 and 2002-04 without calling for tenders in violation of the Karnataka Transparency in Public Procurement Act, 1999. As and when these agencies presented bills to the Department, the same were sent to KBITS for payment and the amount was reimbursed to KBITS later. Scrutiny of bills revealed that rates charged by these agencies for advertisement of different sizes (Black and White) were much higher than the rates fixed by the Directorate of Information and Publicity for similar advertisements. This resulted in excess payment of Rs.58.58 lakh. KBITS stated (June 2004) that payments were made according to the instructions of the Secretary, IT Department. The Government stated (September 2004) that entrustment of advertisement work to these agencies was on the grounds of their professionalism, expertise and knowledge. However, these agencies released advertisements in the same newspapers (Economic Times, Times of India, Hindustan Times, *etc.*) with which Directorate of Information and Publicity had rate contracts. Also, advertisements were released during 2004-05 through the Directorate of Information and Publicity. The reply had, therefore, no merit.

¶

Year	Value of National export (Rupees in crore)	Contribution from State (Rupees in crore)	Percentage
2000-01	19,576	7,475	38
2003-04	50,278	18,100	36

3.1.23 Monitoring and Evaluation

For monitoring the implementation of the computer education programme, quarterly reports for each district were to be obtained, checked and deficiencies rectified. This was not done by the Director, DSERT. There were also deficiencies in the training programme due to non-inspection of the Centres by the nominated officers.

Evaluation of training programme by officers of various Government Departments nominated by the IT Department covered 169 centres (85 in August 2002, 84 in September 2003) and performance of the remaining 65 centres was not evaluated.

3.1.24 Conclusions

- Full capacity of the 1,000 high schools selected for computer education programme was not utilised since students from higher primary schools were not shifted to high schools which had vacancies. Also students did not receive computer training for the prescribed number of hours due to inadequate power supply arrangements.
- Computer-aided education was not provided in two subjects *viz.*, English and Science while in Mathematics and Social Science, it was provided from March 2003 due to delay in providing software.
- The agencies imparting computer training in Yuva.Com Centres had not uploaded bio-data of 26,310 trained candidates, thereby depriving them of the benefits of placement for jobs.
- Software Technology Park, Hubli had not been made available to entrepreneurs, due to indecision of State Government regarding purchase price payable to HDMC.
- The impact of tax concessions on attracting software companies was marginal, as most of the companies (485 out of 522) had not availed of the concessions.

3.1.25 Recommendations

- State Government should ensure enrolment of maximum number of students in high schools under the Mahithi programme and also ensure that the prescribed hours of computer education are followed.
- Periodical progress reports regarding functioning of Incubation Centres in the engineering colleges should be obtained and reviewed.
- Necessary steps for ensuring marketing of space of STP, Hubli need to be expedited.

LABOUR DEPARTMENT

3.2 Implementation of Child Labour (Prohibition and Regulation) Act, 1986

Highlights

Government of India enacted the Child Labour (Prohibition and Regulation) Act, 1986, which besides enforcement measures, envisaged rehabilitation programmes. Enforcement of the provisions of the Act was ineffective due to (a) non-availability of database of employers (b) inadequate inspections (c) deficiency in registration of cases (d) acquittal of cases for not producing medical certificate in proof of age of the child labour. The achievement in regard to recovery of compensation from employers was as low as 0.3 per cent. Several salient programmes of the State Action Plan were not implemented. There was shortfall of 60 per cent in rehabilitation of child labour. Data on identification of child labour as reported by State Child Labour Cell was grossly understated.

Data as reported in status report (March 2004) of Labour Commissioner was grossly understated and 2.82 lakh children up to the age of six to 14 years were still out of school as of February 2004.

(Paragraph 3.2.9)

There was shortfall of 93 per cent in registering cases against offending employers. Out of 74 employers who were acquitted in Bangalore (Urban) and Bangalore (Rural) districts, 67 acquittals were due to non-production of medical certificate in proof of age of child labour.

(Paragraph 3.2.12)

There was shortfall of 60 per cent in rehabilitation of child labour as compared to even grossly understated data on identification/detection of child labour.

(Paragraphs 3.2.19)

Labour Department recovered compensation of Rs.8.70 lakh (0.3 per cent) as against Rs.28.24 crore due from employers for employing 14,119 child workers. Even this meagre amount remained unutilised.

(Paragraph 3.2.13)

Out of 1,612 cases referred to Deputy Labour Commissioners and Assistant Labour Commissioners, 755 cases (47 per cent) had not been disposed of and delay in disposal of cases deprived 310 children of the benefit of compensation as these children completed the age of 14 years.

(Paragraph 3.2.14)

Targets and periodicity of inspection of premises of employers were not prescribed. Though, 2,051 inspectors belonging to different departments

were in place, only 245 inspectors of Labour Department conducted inspections ranging from 40 to 146 per year per Inspector.
(Paragraph 3.2.11)

Several features of the State Action Plan for rehabilitation of child labour were not implemented.
(Paragraph 3.2.18)

3.2.1 Introduction

Child labour is a serious socio-economic problem affecting the intellectual, physical and social health of children. Various laws[◆] were framed from time to time prohibiting/regulating child labour. Government of India enacted the Child Labour (Prohibition and Regulation) Act, 1986 (Act) and also announced (1987) the National Child Labour Policy, which, in addition to enforcement measures, envisaged rehabilitation programmes. The Supreme Court of India also issued (December 1996/May 1997) directions for withdrawal of children in hazardous employment and for their rehabilitation. The Government of Karnataka started (May 2001) a comprehensive Action Plan for elimination of child labour (Action Plan).

3.2.2 Objectives of the Acts and the Action Plan

- Identification of child labour employed in prohibited occupations
- Registration of cases against offending employers, levy of penalty, recovery of compensation
- Rehabilitation of child labour through the National Child Labour Projects (NCLPs). The State Action Plan envisaged setting up of State Child Labour Project Societies (SCLPS), financial assistance to child labour families through co-operative societies, skill training and memorandum of understanding with employers or their associations for rehabilitation of child labour at the expense of the former.

3.2.3 Organisational set-up

The Labour Commissioner assisted by a Joint Labour Commissioner (JLC) at the State level functioned under the supervision of the Principal Secretary to Government, Department of Labour. The Labour Commissioner and the JLC were responsible for release of funds, monitoring its utilisation, implementation of developmental and rehabilitation programmes, enforcement of provisions of the Act/Rules and also to ensure co-ordination of efforts of

◆ Factories Act 1948, Apprentices Act 1951, Merchant Shipping Act, 1958 and Karnataka Shops and Commercial Establishments Act, 1961

various other Departments^o and Non-Government Organisations (NGOs). At district level, the Deputy Commissioner/Chairman of the District Project Society released funds to NGOs and monitored their utilisation. The Karnataka State Child Labour Eradication Project Society (KSCLEPS) with State-wide jurisdiction was also set-up (July 2003) to formulate, *inter alia*, plans for reducing incidence of child labour, improving performance of project societies, raising funds through public donation, *etc.*

3.2.4 Audit Objectives

The objectives of Audit were to ascertain whether

- Provisions of the Act are adequate
- A system existed to identify child labour
- Identified child labour was withdrawn and rehabilitated
- Legal action was initiated against offences committed under the Act
- Directions of the Supreme Court were implemented

3.2.5 Audit coverage

The implementation of the Act during the period 1999-2004 was reviewed (April to June 2004) through test-check of records in the Labour Secretariat, Office of the Labour Commissioner and Labour Offices of 10* districts. Five NCLPs and five SCLPS were test-checked. Information from related departments was also collected for assessing the inter-departmental convergence achieved for elimination of child labour.

Financial outlay and expenditure

3.2.6 National Child Labour Project

Government of India released (1999-2000 to 2003-04) Rs.10.57 crore* to NCLPs established as per guidelines contained in the National Child Labour Policy, 1987. NCLPs incurred expenditure of Rs.8.63 crore* towards reimbursement of maintenance cost of special schools by NGOs for rehabilitation of child labour.

^o Department of Women and Child Development, Social Welfare, Rural Development and Panchayat Raj, Revenue, Co-operation, Education, Industries and Commerce, *etc.*

* Bangalore (Urban), Bangalore (Rural), Bijapur, Dharwad, Davanagere, Gadag, Gulbarga, Haveri, Kolar and Raichur

❖

(Rupees in crore)

Year	1999-2000	2000-01	2001-02	2002-03	2003-04	Total
Funds released	0.99	0.99	2.39	2.69	3.51	10.57
Expenditure	0.39	0.69	2.31	2.54	2.70	8.63
Balance						1.94

3.2.7 Action Plan of State Government

Rupees 1.31 crore with DCs and Rs.1.63 crore with KSCLEPS remained unutilised

As per Action Plan, Rs.six crore were to be released by the Government each year for establishing Rehabilitation-cum-Special Schools and for implementing programmes mentioned in the Plan. State Government, however, released Rs.8.48 crore as against Rs.18 crore for three years (2001-04) resulting in deficiency of Rs.9.52 crore (53 per cent). The Deputy Commissioners and Ex-officio Chairmen, District Project Societies kept the released amount in bank and incurred expenditure of Rs.1.43 crore on the Action Plan during 2001-03. Details of expenditure incurred by all Deputy Commissioners (DCs) during 2003-04 and the balance of funds as of March 2004 were not available with the Labour Commissioner (December 2004). However, in the test-checked districts, Rs.1.31 crore remained unspent as of March 2004. Labour Commissioner attributed (December 2004) the accumulation of balance to delay in commencement of SCLP schools. An amount of Rs.1.63 crore also remained unutilised with KSCLEPS.

Difficulties in implementation of the penal provisions of the Act

3.2.8 Discrepancy in penal provisions

Different punishment under different Acts for the same offence

Employers who engage children up to the age of 14 years in employment which is prohibited under the Child Labour (Prohibition and Regulation) Act, 1986 are punishable with imprisonment up to a maximum of one year or fine up to Rs.20,000 or both under Section 14 of the Act. However, Section 92 of Factories Act, 1948, prescribes imprisonment up to maximum of two years and fine up to Rs.one lakh in each case. Thus, penalty is different in different Acts for the same offence thereby presenting difficulties in implementation in the provisions of the Act. State Government had, however, not sent any proposal to Government of India for suitable amendment to the Act.

3.2.9 Survey

Data on child labour as prepared by Labour Department grossly understated

Correct survey and identification of child labour are vital for implementation of regulatory, prohibitory and rehabilitation measures. Survey reports indicate their geographical distribution apart from the magnitude of child labour. The magnitude of child labour as assessed in different surveys was as follows:

Survey Report of Labour Department conducted in 1997 following Supreme Court directions	64,128 child workers (hazardous-4,937, non-hazardous-59,191)
Labour Department Survey of 2001	39,300 child workers (hazardous-7,112, non-hazardous-32,188)
Census Report 2001	8.23 lakh child workers (break-up not available)
Survey conducted by Education Department in 2001 under Sarva Shikshana Abhiyan	10.54 lakh children out of school considered as child workers
Survey conducted by Education Department in February 2004 under Sarva Shikshana Abhiyan	2.82 lakh children in the age group of six to 14 years

There were wide variations in the population of child labour assessed by the Education and the Labour Departments. The State Child Labour Cell in its Status Report for March 2004 to Government of India indicated, *inter alia*, 38,443 child workers engaged in hazardous (8,553) and non-hazardous (29,890) occupations. But in 10 test-checked districts alone 48,342^Ψ child workers were identified by NGOs (19,776) and departmental inspections (1999-2004) and survey (28,566) as per data furnished by NCLPs/SCLPS. Evidently, the data on child labour was quite unreliable.

Regulatory functions

3.2.10 Failure to ensure compliance with provisions of the Act

Department did not ensure compliance with Section 9 of the Act by employers

According to Section 9 of the Act, every employer in relation to an establishment in which a child was employed or permitted to work, shall within a period of 30 days from such employment send to the Inspector, a notice indicating the particulars of employment. The employer is also required to maintain a register for recording these details. It was seen in audit that such notices had not been received by Labour Inspectors and information on maintenance of register by the employers was also not available. The Labour Commissioner stated (June 2004) that the question of collecting details did not arise as the employment of children up to the age of 14 years was prohibited under Section 24 of Karnataka Shops and Commercial Establishments Act, 1961. The contention was not tenable as Karnataka Shops and Commercial Establishments Act, 1961 was applicable to 80 taluks/towns as notified in Section 1(4) *ibid*, as against 175 towns/taluks in the State. Also shops and establishments as defined in the said Act do not include processing and manufacturing establishments.

3.2.11 Inadequate inspection

Targets/ periodicity of inspections not prescribed

Inspectors appointed under Section 17 of the Act were to periodically and regularly visit all Establishments within their jurisdiction with a view to detecting employment of children. State Government had appointed 2,051 officers as Inspectors belonging to ten different departments including Labour. However, frequency of inspections or targets for inspections was not prescribed. Database of employers requiring inspection had also not been created. It was noticed in 10 test-checked districts that Inspectors excluding those belonging to Labour Department had not conducted any inspections. The Labour Commissioner, as the nodal agency could not ensure inspection by Inspectors of other departments. The position of inspections conducted by 245 Inspectors of the Labour Department from 1999-2000 to 2003-04, average number of inspections conducted and establishments not inspected was as follows:

^Ψ NGOs: 19,776 (Hazardous: 5,566, Non-hazardous: 14,210),
Departmental survey: (Hazardous: 7,172, Non-hazardous: 21,394)

Details	As of March 2000	As of March 2001	As of March 2002	As of March 2003	As of March 2004
Number of shops/establishments/manufacturing/processing units registered with Commercial Tax Department	2,76,210	2,91,021	3,01,954	3,13,052	3,16,635
Number of inspections each year	9,754	13,521	18,821	23,092	35,899
Average inspections per inspector per year	40	55	77	94	146
Number of shops, etc., not inspected	2,66,456	2,77,500	2,83,133	2,89,960	2,80,736

It was also seen in audit that inspection reports were not prepared at all in respect of 14,790 inspections out of 15,929 reportedly conducted (1999-2004) in the test-checked districts. In the absence of any inspection reports, the quality and correctness of the number of inspections were not susceptible to verification.

Prohibitory functions

3.2.12 Huge shortfall in registration of cases

Employers who employ children up to the age of 14 years in contravention of Section 3 of the Act are liable for imprisonment up to maximum of one year or fine up to maximum of Rs.20,000 or both. Employers who fail to give notice and maintain register as prescribed in Sections 9 and 11 of the Act, respectively are liable for imprisonment up to one month or fine up to Rs.10,000 or both. Details of action taken during 1999-2004 against offending employers were as follows:

(In numbers)

Nature of cases	Cases registered	Child labour involved	Cases acquitted	Penalty levied	Cases pending
Hazardous cases (Contravention of Section 3)	1,145	1,309	169	40	936
Non-hazardous cases (Contravention of Sections 9 and 11)	1,168	2,741	187	179	802
Total	2,313	4,050	356	219	1,738

Enforcement of measures not initiated against 93 per cent of identified child labour cases

Out of 58,219 child workers identified (38,443 by State Child Labour Cell and 19,776 by NGOs in test-checked districts) as of March 2004, cases were filed against 2,313 employers who had employed 4,050 children. The shortfall in registering cases against defaulting employers was as high as 93 per cent.

The Labour Officers of the test-checked districts stated (May and June 2004) that action could not be initiated on cases identified by NGOs, as required documents (statement of employers, child workers, proof of age) were not produced by the latter. This contention was not tenable as it was the

responsibility of the Department to gather necessary documents. It was further noticed that out of the total of 74 employers who were acquitted in Bangalore (Urban) and Bangalore (Rural) districts, 67 acquittals were due to non-production of document of proof of age by the Labour Inspectors/Officers.

Failure to initiate legal action against all identified cases and acquittal due to non-production of proof of age, were indicative of ineffective implementation of the prohibitory provisions of the Act.

Child Labour Rehabilitation-cum-Welfare Fund

3.2.13 Poor progress in recovery of compensation

Recovery of compensation was as low as 0.3 per cent of the amount due for recovery

According to directions (December 1996) of the Supreme Court, an Inspector appointed under Section 17 of the Act was to recover from employers of child labour on hazardous jobs, compensation of Rs.20,000 for each child. State Government was also to ensure that an adult member of the family of such child labour get a job or in lieu, contribute Rs.5,000. The amount was to be credited to "Child Labour Rehabilitation-cum-Welfare Fund" (Corpus Fund) to be created district-wise and spent on the child on whose behalf it was recovered. According to data furnished by the Labour Commissioner, full compensation of Rs.8.20 lakh was recovered in respect of 41 child workers only. In respect of another 10 child workers Rs.0.50 lakh only was recovered. Recovery of compensation from the offending employers was meagre (0.3 per cent) compared to Rs.28.24 crore recoverable from employers of the identified 14,119 child workers (8,553 detected by Department and 5,566 detected by NGOs).

Not even one child labour family was assisted from the Corpus Fund

The meagre compensation recovered was not utilised as directed by the Supreme Court but was invested in fixed deposits in Nationalised Banks. It was stated (April 2004) by DC/Project Director, CLP that the child workers could not be located. The reply was not tenable as the Department was to maintain individual profile of the child in the special schools.

Details like the number of adult members who secured jobs in lieu of compensation, child labour families assisted, expenditure on such assistance for the period from 1996-97 to 2003-04 for the State as a whole, etc., were not furnished to Audit by the Labour Commissioner. In the test-checked districts it was, however, noticed that the achievement on these issues (providing jobs, assisting child labour family) was nil. Evidently, the directive of the Supreme Court had not been implemented effectively.

3.2.14 Disposal of cases for recovery of compensation by Deputy and Assistant Labour Commissioners

47 per cent of cases referred to DLCs/ALCs are pending

State Government authorised (June 2001) the Deputy Labour Commissioners (DLCs) and the Assistant Labour Commissioners (ALCs) to conduct enquiries in respect of cases of employing children in hazardous jobs and to issue certificate to enable DCs to initiate action for recovery of compensation. Cases referred to DLCs and ALCs by Inspectors, the number of recovery certificates issued and cases rejected were not available with the Labour Commissioner for the State as a whole. However, in the test-checked districts, out of 1,612 cases (involving 1,678 child workers) referred from June 2001 to March 2004 to DLCs/ALCs, recovery certificates were issued in 166 cases (involving 170 child workers), 691 cases were rejected and the balance of 755 cases were pending as of March 2004. Though these 166 cases were referred to the concerned DCs for recovery, no amount had been recovered so far. Further, scrutiny revealed the following:

Delay in disposal of cases deprived 310 children of the benefit of compensation

- Out of total of 691 cases, 168 cases were rejected due to non-production of medical certificate by Labour Inspectors who presented cases. In a few other cases, proof of age produced by Inspectors was contested by employers by producing school records. The Department, however, did not verify the genuineness of such records.
- In 274 pending cases, 310 child workers completed the age of 14 years as of March 2004. As such, these children were outside the scope of definition of child labour and thereby deprived of the benefit of compensation.

Out of seven DLCs/ALCs in the test-checked districts, three (Belgaum, Davanagere and Gulbarga) did not furnish reasons for pendency of cases, while other DLCs/ALCs attributed pendency to their engagement in other functions.

Rejection of cases was due to improper preparation of documents during survey (signatures of the witnesses and statements of the employers not obtained) which were indicative of defective survey and documentation.

Rehabilitation Programme

3.2.15 Enrolment of child labour

The National Child Labour Policy (August 1987) envisaged, *inter alia*, withdrawal of child labour from hazardous employment and their rehabilitation. In order to achieve this objective, the policy provided for establishing NCLP in districts where the incidence of child labour was high. Special schools were to be set up under each project for enrolment of child labour withdrawn from employment. The target group for enrolment in special schools was primarily children in hazardous occupations who had not completed 14 years of age. The position of special schools sanctioned,

established and enrolments in seven districts {Bangalore (Urban), Bangalore (Rural), Bijapur, Dharwad, Gadag, Haveri and Raichur} was as under:

Details	As of March 2000	As of March 2001	As of March 2002	As of March 2003	As of March 2004	Total
Number of schools sanctioned	110	110	190	190	190	
Number of schools actually running	56	104	161	176	159	
Capacity	2,800	5,200	8,050	8,800	7,950	
Enrolled during each year						
Hazardous	467	583	2,129	1,077	1,064	5,320
Non-hazardous	2,333	3,077	1,721	2,626	2,259	12,016
Drop outs	97	-	543	1,111	573	2,324
Mainstreamed	603	625	2,058	2,649	3,953	9,888
Number of special schools closed	-	-	25	15	51	91
Number of children at the time of closure	-	-	162	310	2,178	2,650

Out of 17,336 child workers enrolled, only 5,320 children were from hazardous occupations/processes though 9,731 child workers were employed in hazardous occupations/processes in these seven districts. Besides, 91 special schools with 2,650 enrolled children were closed during 2001-04. The Project Directors attributed (June to August 2004) the closure of schools to migration of child labour, poor attendance, management of schools and teachers not evincing enough interest and school management not responding to advice of project societies. Of these, 1,411 child workers were enrolled in other special schools leaving 1,239 children without rehabilitation.

3.2.16 Incorrect reimbursement of maintenance cost

NCLP reimbursed maintenance cost of 106 child workers who were not enrolled in special schools

Scrutiny of records of one special school (Thanisandra) in Bangalore (Urban) district revealed that 28 children studying in Government schools were shown as enrolled in special schools also. Similarly, Inspectors during their inspection of special school at Hegadiyala (45 children) and Babuleswar (33 children) in Bijapur district detected that 78 children in these two schools were actually studying in Government schools. The maintenance cost of these 106 children for 2003-04 at the prescribed rate of Rs.3,412 per child (excluding the salary component of the teacher), payable to the concerned NCLP societies, worked out to Rs.3.62 lakh and should not have been paid to them. The payment was irregular and needed to be recovered. The Project Director, NCLP, Bangalore stated (September 2004) that action would be taken while NCLP, Bijapur did not furnish any reply.

3.2.17 Denial of stipend

773 child workers were not paid stipend

Stipend payable to child labour enrolled in NCLP special schools was to be credited to joint account of parent and child opened in a post office. However, it was noticed in audit that 773 children in 30 special schools in Bangalore (Urban) (8 schools; 250 children), Raichur (5 schools; 145 children), Bangalore (Rural) (17 schools; 378 children) though mainstreamed were not paid stipend of Rs.8.53 lakh for periods ranging from three to 32 months. The Project Directors, NCLP, Bangalore (Rural) and Bangalore (Urban) attributed (June 2004) non-payment of stipend to difficulties in opening account in post office but did not mention any specific problem. The Project Directors had also not taken up the matter with higher authorities at the State level.

State Action Plan for elimination of Child Labour

3.2.18 Non-implementation of various programmes of Action Plan

Salient programmes of Action Plan not implemented

Various departments were to implement different programmes envisaged in the Action Plan. It was seen in audit that except for setting up/running of SCLPS by the Labour Department, no other salient programme as mentioned below, was implemented:

- Financial assistance to child labour families through co-operative societies to set up income-generating units.
- Skill training to child labour families.
- Mobilisation of funds through community/private/corporate sponsorships.
- Disconnection of power to industries engaging child labour.
- Entering into memorandum of understanding with employers or their associations for rehabilitation of child labour at the expense of the former.
- Conversion of NCLP schools except in two districts {Bangalore (Rural) and Haveri} into residential schools.

Though, non-implementation of above programmes was within the knowledge of the nodal agency, no action was taken. The district advisory committee who was to review implementation of Action Plan once in three months, never reviewed it in five districts (Kolar, Bijapur, Dharwad, Gadag and Davanagere) and met only once in other three districts {Bangalore (Rural), Gulbarga and Raichur} during 2001-02 to 2003-04. Due to non-participation of the various departments in the implementation of the Action Plan, the concept of convergence of efforts and resources did not materialise at all.

3.2.19 Shortfall in rehabilitation of child labour and establishing rehabilitation centres-cum-special schools

Shortfall of 60 per cent in rehabilitation as compared to even the under-estimated data on child labour

As against 220 Rehabilitation Centres-cum-Special Schools (RCSS) required to be established, only 94 RCSS were established as of March 2004. During 2002-04, 6,089 child workers were enrolled against enrolment capacity of 9,400 children. Reasons for shortfall in enrolment in spite of availability of identified child labour were not furnished to Audit. Data regarding number of children mainstreamed was also not furnished. In both NCLP and SCLP special schools, 23,425 children only were rehabilitated out of total of 58,219 child workers identified by the Department and the NGOs. Thus, there was shortfall of 60 per cent in rehabilitation of child labour as compared to the available number of child labour which itself is grossly understated.

3.2.20 Monitoring

The State Level High Power Committee (SLHPC) chaired by the Chief Minister, the State Level Coordination Committee (SLCC) headed by the Additional Chief Secretary, the District Advisory and the Executive Committees had been set up (May 2001) for the monitoring of developmental programmes and enforcement functions. Monitoring, enforcement of the provisions of the Act and implementation of the development programmes was inadequate and ineffective for the following reasons:

- SLHPC, which was to review the progress, did not do so at all during 1999-2004.
- SLCC reviewed the progress only twice (May 2002 and September 2003) though the Committee was to meet once in three months.
- District Advisory Committee was to review the progress once in a quarter while the Executive Committee once in a month. However, review of progress by these Committees was also far below the prescribed extent^Ø as verified in the test-checked districts for the period 1999-2004.

Ø

Name of the Committee	Number of meetings to be held in test-checked districts	Number of meetings held	Deficiency	Remarks
District Advisory Committee	200	8	192 (96 per cent)	No meetings were held at all in five districts (Bijapur, Davanagere, Dharwad, Gadag and Kolar)
Executive Committee	600	46	554 (92 per cent)	

3.2.21 Evaluation

Evaluation of the enforcement of provisions of the Act and implementation of rehabilitation programmes was not conducted by the Government or by any independent agency after 2001.

3.2.22 Conclusions

- Data on child labour was unreliable and under-reported.
- There was shortfall of 93 *per cent* in registering cases against offending employers.
- Various programmes envisaged in the State Action Plan were not implemented.
- Progress achieved in implementation of Supreme Court Directions relating to recovery of compensation was negligible.
- In Bangalore (Urban) and Bangalore (Rural) districts, 90 *per cent* of the prosecuted employers were acquitted by Courts due to non-production of age certificate. Twenty four *per cent* of cases referred to DLCs/ALCs for issue of recovery certificate were also acquitted for the same reason.
- There was shortfall of 60 *per cent* in rehabilitation of child labour.

3.2.23 Recommendations

- There is a need to compile realistic data on child labour in co-ordination with the Education Department.
- Efforts need to be made to register cases against all employers engaging children in violation of the Act.
- State Level Committees need to be activated.
- Department should ensure early disposal of all cases referred to DLC/ALC for issue of recovery certificate for compensation within the prescribed time frame and assist child labour families.

3.2.24 The matter was referred to Government in October 2004; reply had not been received (December 2004).

WATER RESOURCES DEPARTMENT

MINOR IRRIGATION

3.3 Working of Minor Irrigation Projects

Highlights

The objective of the Minor Irrigation Department to provide irrigation through a network of irrigation facilities was not achieved to a large extent as only eight to 29 per cent of the irrigation potential created was utilised during 1999-2004. Non/under-performance of a large number of tanks and lift irrigation projects was due to inadequate power supply, silting of canals, aged pumping machinery, uncontrolled outlets, etc. The execution of projects was not prioritised to ensure that the benefits of investment fructify quickly without spreading resources thinly. There were also instances of non-utilisation of Central assistance, unproductive and avoidable expenditure and excess payment.

Limited resources were scattered over a large number of new works without prioritising projects and ensuring provision of adequate funds for completing ongoing projects, which were lingering for five to 15 years. Out of 325 ongoing projects as at the beginning of 1999-2000, only 191 were completed leaving 134 projects incomplete as of March 2004 as a result of which investment of Rs.35.37 crore made on them did not fructify.

(Paragraph 3.3.11)

Against a target of completing 242 projects with NABARD assistance by March 2004, only 105 projects were completed after delays ranging from three to 71 months involving a cost over run of Rs.26.37 crore.

(Paragraph 3.3.12)

Due to inadequate investigation, diversion of project funds, delay in acquisition of lands, etc., there was unfruitful and excess expenditure of Rs.41.01 crore.

(Paragraphs 3.3.13 to 3.3.16)

Percentage shortfall in utilisation of irrigation potential ranged between 71 and 92 during 1999-2000 to 2003-04 due to inadequate power supply, silting of canals, aged pumping machinery, non-completion of canals, improper location of tanks, etc.

(Paragraph 3.3.18)

The unplanned execution of 57 new tank works during 1999-2003 at a cost of Rs.125.82 crore proved largely unproductive due to poor utilisation of their irrigation potential.

(Paragraph 3.3.18)

The objective of promoting water management and maintenance of projects with the active participation of farmers through the forum of Water Users' Societies was not achieved at all as none of the irrigation projects was handed over to any of the 488 registered societies.

(Paragraph 3.3.19)

Expenditure during the years 2000-04 exceeded the budget provision by seven to 32 per cent indicating weakness in budgetary control.

(Paragraph 3.3.6)

The liabilities on account of unpaid bills and land compensation claims increased from Rs.73.85 crore at the end of March 1999 to Rs.172.62 crore at the end of March 2004.

(Paragraph 3.3.7)

Against the water rate demand of Rs.26.43 crore, Rs.1.83 crore only were collected during 1999-2004.

(Paragraph 3.3.20)

3.3.1 Introduction

Minor Irrigation (MI) Department was set up in April 1984 to provide irrigation to command areas up to 2,000 hectares (ha) through a network of tanks, lift irrigation schemes (LIS), barrages, pick ups¹ and anicuts². The Department apart from maintaining existing projects carries out execution of new projects and flood protection works. Against irrigable area of ten lakh ha in the minor irrigation sector, a potential of 9.73 lakh ha including 3.50 lakh ha created through the agency of Zilla Panchayats was created at the end of March 2004. Out of 6.23 lakh ha of irrigation potential created through MI Department, the utilisation of irrigation potential during the preceding five years ending March 2004 was highest at 1.78 lakh hectares in 2000-01.

3.3.2 Objectives

The objective of the Department is to provide irrigation by:

- Creating additional potential through execution of new projects and maintaining the existing projects; and
- Strengthening management of irrigation projects with active participation of farmers through the mechanism of Water Users' Societies (WUS).

¹ Pick up - a structure constructed across a river at the head works of a canal to raise the level of water sufficiently high for it to flow into the channel

² Anicuts – A Tamil name for weir

3.3.3 Organisational set-up

The Programme was implemented in the State through 18 MI Divisions³, headed by Executive Engineers (EE) who work under the supervision of four Superintending Engineers (SE) and two Chief Engineers (CE), one each for the North and the South Zones. The Superintending Engineer, Monitoring and Evaluation (SE-M&E) is associated with formulation, coordination and monitoring of the projects executed from borrowed funds. The overall administrative control of the Department vests with the Secretary, Water Resources Department (Minor Irrigation).

3.3.4 Audit objectives

The audit objectives were to assess:

- Whether the execution of projects/schemes was planned properly;
- Whether the works were executed with economy and efficiency; and
- The extent to which the objective of providing irrigation facilities to farmers and their participation in management of projects was attained.

3.3.5 Audit coverage

The execution and maintenance of irrigation projects during the period 1999-2004 was reviewed (January-May 2004) by test check of records of the Secretary to Government, Water Resources Department (Minor Irrigation), Chief Engineers (North and South Zones), eight⁴ Executive Engineers and the Superintending Engineer, Monitoring and Evaluation, Bangalore covering 48 per cent (Rs.359.54 crore) of the total expenditure of Rs.749.24 crore.

Financial management

The programme is funded through the budget. Out of the expenditure of Rs.749.24 crore incurred by the Department during 1999-2004, Rs.202.87 crore were spent on projects approved by the National Bank for Agriculture and Rural Development (NABARD). The expenditure on projects approved by NABARD was reimbursed by the bank (since 1995-96) by way of loan assistance. Special Problem Grants on the recommendation of the Eleventh Finance Commission were also received (2000-05) from the Government of India for rejuvenation of sick and defunct lift irrigation schemes.

3.3.6 Excess of expenditure over Budget provisions

The year-wise position of funds allocated and expenditure thereagainst during the period 1999-2004 was as follows:

³ Including two Quality Control Divisions

⁴ Bellary, Bidar, Bijapur, Dharwad, Gulbarga, Kolar, Mangalore and Tumkur

(Rupees in crore)

Year	Budget provision	Expenditure	Percentage of expenditure in excess of provision	Unpaid bills at the end of the year ⁵
1999-2000	151.07	151.79	-	78.30
2000-01	151.01	161.31	7	87.62
2001-02	126.12	140.51	11	79.65
2002-03	119.71	139.40	16	138.95
2003-04	118.20	156.23	32	172.62
Total	666.11	749.24	-	-

The expenditure during 2000-04 exceeded the budget provision by seven to 32 *per cent* annually indicating weakness in budgetary control. The maintenance works were executed piecemeal without laying down any guidelines for an integrated approach in planning and execution of maintenance works.

3.3.7 Unpaid claims

Liability towards pending bills went up from Rs.73.85 crore to Rs.172.62 crore

Liabilities were created during the years 1999-2004 mainly by way of unpaid bills of contractors and non-payment of land compensation. The liabilities increased from Rs.73.85 crore (March 1999) to Rs.172.62 crore (March 2004). The liability of unpaid bills of NABARD assisted projects increased from Rs.2.58 crore at the end of March 2000 to Rs.16.84 crore at the end of March 2004. The liability of State funded works increased from Rs.15.87 crore (March 1999) to Rs.59.55 crore (March 2004). Besides, liabilities for land acquisition and maintenance of projects (March 2004) were Rs.32.73 crore and Rs.44.95 crore respectively. The liabilities increased year after year due to insufficient provision of funds.

3.3.8 Rejection of reimbursement claims by NABARD

NABARD rejected claim of Rs.50.34 crore due to delayed completion of works

Reimbursement of expenditure by NABARD on approved projects was subject to their completion within the stipulated period and sanctioned amount. Against the claims of Rs.210.65 crore preferred, reimbursement of Rs.139.34 crore only was made by NABARD. Claims for Rs.50.34 crore pertaining to 92 projects (Rural Infrastructure Development Fund-I, II, III) were rejected by NABARD as these were submitted after their specified closure period due to delay in completion of the works. The balance of Rs.20.97 crore was yet to be reimbursed by NABARD (March 2004).

Loss of Central assistance

Central assistance of Rs.58.89 crore available for rejuvenation of lift irrigation schemes and flood protection works was not availed of by the Department as discussed below:

⁵ The opening balance of unpaid claims as on 01.04.1999 was Rs.73.85 crore

3.3.9 Lift irrigation schemes

Central assistance for rejuvenation of sick/defunct LIS and Flood Protection Works was not availed of due to delay in according administrative approval and non-submission of master plan according to guidelines

A scheme for rejuvenating sick and defunct LIS in the State at an estimated cost of Rs.55 crore was sanctioned (November 2000) by Government of India and funds were provided under 'Special Problem Grants' as recommended by the Eleventh Finance Commission. The funds sanctioned during a year were not available for being carried forward beyond the next year or beyond March 2005. Against the planned (March 2001) rejuvenation of 256 LIS, 242 works were taken up incurring an expenditure of Rs.22.35 crore as of March 2004.

The year wise details of funds received and the expenditure incurred during the period 2000-04 were as under:

(Rupees in crore)

Year	Opening balance	Government of India Grants during the year	Total	Expenditure incurred	Closing balance	Remarks
2000-01	-	22.12	22.12	-	22.12	-
2001-02	22.12	11.06	33.18	-	11.06	Grants of 2000-01 (Rs.22.12 crore) lapsed at the end of 2001-02
2002-03	11.06	11.06	22.12	5.15	11.06	Rs.5.91 crore of 2001-02 lapsed at the end of 2002-03
2003-04	11.06	10.76	21.82	17.20	4.62	-
Total	-	55.00	-	22.35	-	Rs.28.03 crore lapsed up to the end of 2003-04

Under-utilisation of funds was due to delay in according (February 2002) administrative approvals by the Government, which resulted in lapse of Central assistance of Rs.28.03 crore up to 2003-04.

3.3.10 Flood Protection Works

Government of India, in consultation with the Central Water Commission (CWC) issued (July 1997) guidelines to the State Government to formulate detailed Flood Management Schemes and a Master Plan of flood protection works. Central assistance would be made available for carrying out these works. The MI Department prepared a Master Plan to protect riverbanks for a length of 403 kms (estimated cost: Rs.183.20 crore) and submitted it (July 2002) to CWC after a delay of five years. The plan was not re-submitted to CWC after meeting their requirements such as detailed estimates of the proposed works, details of benefit cost ratio, *etc.* In the absence of the approval to the plan, the Central assistance offered was not availed of. Meanwhile, the State Government incurred expenditure of Rs.30.86 crore on flood protection works during 1999-2004 from its own funds.

Programme Management

Review of records relating to planning and execution of the minor irrigation projects and the utilisation of the irrigation potential created during the period 1999-2004 revealed the following:

3.3.11 Non-prioritisation of execution of works

Despite limited resources, the execution of works was not prioritised leading to scattering of resources and consequent delay in completion of works

Yearwise and schemewise data of ongoing projects indicating fund allocation for each work, expenditure incurred and their status, which could have formed the basis for prioritisation of works were not available with the Department. Funds were provided for projects on adhoc basis without ensuring adequate resources for completion of ongoing projects so that investment already made on the ongoing works could fructify. However, during audit, data was collected for 11 divisions where the position of ongoing works as in April 1999 and fresh works taken up and completed during the period under review was as under:

(Rupees in crore)

Category	Number of works	Latest estimated cost	Number of works completed	Cumulative expenditure ending March 2004 on works completed	Number of works under progress	Cumulative expenditure ending March 2004 on incomplete works	Amount required for completing works	Number of works relating to column 8
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Works ongoing as on 1.4.1999	325	124.94	191	88.98	134	35.37	6.71 ⁶	122
Fresh works taken up between April 1999 and March 2004	1298	258.63	556	50.34	742	58.65	146.14	733

Out of 325 on-going projects, only 191 were completed as of March 2004 leaving 134 projects (41 per cent) incomplete as a result of which investment of Rs.35.37 crore made on them did not fructify. Out of 134 works, five were lingering for more than 15 years, six for periods between 10 and 15 years and the remaining 123 works for periods between five and 10 years.

Out of 1,298 new projects, only 556 projects were completed leaving 742 projects (57 per cent) incomplete, the cost⁷ of which was estimated at Rs.146.14 crore. Thus, limited resources were scattered over a large number of new projects, resulting in 876 works remaining incomplete at the end of March 2004.

3.3.12 Delay in execution of NABARD works

In spite of committed assistance from NABARD, the execution of works was delayed leading to time and cost overruns

Out of 338 NABARD assisted projects taken up during the period 1995-2004, only 105 projects⁸ were completed incurring expenditure of Rs.199.82 crore. These works were completed after a delay of three to 71 months. Six projects were abandoned due to lack of technical feasibility and/or land acquisition problems rendering expenditure of Rs.59.50 lakh on these works infructuous. The delay in completion of the remaining 131 projects on which an expenditure of Rs.155.80 crore was incurred ranged from one to seven years. It was observed in audit that the delay was mainly due to inadequate survey

⁶ Excludes estimates of 12 projects for which the expenditure has exceeded the estimates

⁷ Excludes estimates of nine projects for which the expenditure has exceeded the estimates

⁸ Includes one project which was partially executed at a cost of Rs.46 lakh irrigating 115 hectares

and investigation of the projects coupled with problems in acquisition of lands. The delay led to cost overrun of Rs.26.37 crore as the originally sanctioned cost of Rs.149.43 crore for 131 projects was revised to Rs.175.80 crore.

Execution of Projects

Audit scrutiny of execution of projects by the test-checked divisions revealed cases of infructuous, unproductive and avoidable expenditure aggregating Rs.41.01 crore as detailed below:

3.3.13 *Excess payment in construction of tanks at Varchagal and Alur-Belur*

Excess payment of Rs.52 lakh was made to KSCC in two works

The construction of tanks at Varchagal (Bagalkot district) and Alur-Belur (Bidar district) villages was entrusted to Karnataka State Construction Corporation Limited (KSCC) in May 1998 and June 1999 respectively. Subsequently, the Government reduced the rates payable to KSCC (effective from 01.04.1999) for excavation of canals to 15 *per cent* below the Departmental Schedule of Rates (DSR). As excavation work of approach and tail channels was considered easier than that of canals, the Department issued instructions (November 1998) to the Divisions for regulating payments for approach and tail channels at par with the rates applicable for canal excavation. However, it was observed that payments were made to KSCC at pre-revised rates by treating canal works at par with dam and appurtenant works which were 12 *per cent* above DSR. This resulted in excess payment of Rs.45 lakh and Rs.seven lakh to KSCC during the period 1999-2001 on these tanks.

3.3.14 *Unproductive expenditure due to defective selection of sites/diversion of funds*

Improper location of sites for three tanks deprived direct irrigation to 249 hectares

- Bidar Division encompasses large areas falling under laterite zone, which is susceptible to heavy seepage of water as a result of which water cannot be stored in tanks. Work on construction of three tanks (estimated cost: Rs.54 lakh) with a potential of irrigating 249 ha was taken up by the Division during 1985-87 and completed between 1997-98 and 1999-2000 at a cost of Rs.2.64 crore. The tanks located in laterite zone were, however, not put to use as no water could be stored due to heavy seepage. The Department in reply contended (May 2004) that these tanks were acting as percolation tanks. Selection of tank sites without taking into account site conditions led to unproductive expenditure of Rs.2.64 crore as the intended objective of providing direct irrigation to identified command areas was not achieved.
- Construction of a barrage with a submersible bridge (estimated cost: Rs.6.33 crore) across the river Bhima near Hire Anur village in Yadgir taluk of Gulbarga district was sanctioned (March 2000) by Government for irrigating a command area of 1,389 ha, besides providing the facility of a bridge to the people of the surrounding two villages. The construction of the proposed structure was allotted (November 2000) to a contractor at the tendered cost of Rs.5.95 crore after obtaining clearance from Technical Advisory Committee (TAC). Before the work

could be started, the Department proposed to construct a bridge-cum-barrage at a cost of Rs.14.36 crore. The proposal was initially rejected (May 2001) by TAC on the ground that the previously approved structure would meet the requirements of the surrounding villages but was later approved (September 2001) by the TAC and the Government (June 2002). The work was allotted to the same contractor on negotiation basis without re-tendering at a cost of Rs.16.27 crore. The work on which an expenditure of Rs.24.85 crore had actually been incurred was nearing completion as of March 2004.

The Department by executing a major bridge-cum-barrage instead of the originally approved submergible bridge-cum-barrage, not only diverted the NABARD funds borrowed for creating additional irrigation potential towards bridge work but also incurred additional expenditure of Rs.18.52 crore which was not entirely fruitful. The Department while admitting (April 2004) that the major bridge connected only two villages contended that the bridge could be used in future. The reply is not tenable as expenditure met from borrowed funds was rendered unfruitful.

- Work on 21 LIS under Special Component Plan and three LIS under Tribal Sub Plan (estimated cost: Rs.2.75 crore) was taken up during 2001-02 and an expenditure of Rs.1.51 crore was incurred during the year. The work on these projects was stopped (April 2002) and funds provided (Rs.17.91 crore) in 2002-03 and 2003-04 were appropriated to other works. In 2003-04, the project cost of these schemes was revised to Rs.3.73 crore and against budget allotment of Rs.1.88 crore, Rs.31 lakh only were released. As the works remained incomplete, the expenditure of Rs.1.82 crore incurred proved unproductive besides delaying creation of irrigation facilities.

3.3.15 Unfruitful expenditure due to non-restoration of damages and non-construction of distribution system

Rectification of breached portion of tank estimated to cost Rs.67 lakh was not taken up rendering the entire expenditure of Rs.16 crore unfruitful

- The Kodli Allapur project (estimated cost: Rs.six crore) was partially executed (1997-98) by completing dam and appurtenant works. Due to inadequate surplussing arrangements⁹ caused by under-assessment of maximum flood discharge, the dam portion was damaged during September 1998. The damaged portion was, however, not restored (March 2004) despite submission (1998-99) of proposals for an estimated cost of Rs.67 lakh. Consequently, the entire expenditure of Rs.15.93 crore incurred on the project remained unfruitful for over four years as no irrigation was provided from the project.
- Construction of the tank at Takkalaki (estimated cost: Rs.15 lakh) in Bijapur taluk was taken up for execution in 1987. The work lingered on and the tank was completed by March 1999 at a cost of Rs.69 lakh. The canal distribution system was not constructed as the local villagers objected to the use of water from the tank for purposes other than drinking, rendering the expenditure of Rs.69 lakh unfruitful.

⁹ The arrangements required for flow of surplus water in the dam by proper design of waste weir, chute and tail channel with reference to maximum flood discharge

3.3.16 Wasteful and avoidable extra expenditure

- Work on an LIS near Thambralli (North) in Bellary district (estimated cost: Rs.90 lakh) was allotted (August 2000) to a contractor for execution without acquiring the required land. The work scheduled to be completed by June 2002, was abandoned (October 2001) by the contractor after incurring expenditure of Rs.62 lakh due to non-acquisition of additional land. Consequently, the expenditure of Rs.62 lakh incurred on the scheme was rendered wasteful.
- Construction of the tank at Metriki village in Bellary district (estimated cost: Rs.1.40 crore) was taken up (November 2002) for execution. During execution, the quantities of excavation and embankment increased as their quantity had not been assessed properly in the estimates due to inadequate investigations. Consequently, the increased quantities exceeding 125 per cent of the original estimates had, as per contractual conditions, to be paid at higher rates. This led to extra expenditure of Rs.12 lakh up to March 2004 as detailed below:

Item of work	Quantity executed beyond 125 per cent of tendered quantity (cum)	Tender rate	Rate paid	Difference	Avoidable extra expenditure Rs.
		(Rupees per cum)			
Excavation in soft rock with blasting	23,002	75.00	126.75	51.75	11,90,353
Excavation in hard rock	1,590	81.00	91.68	10.68	16,980
Casing	4,559	72.00	78.15	6.15	28,038
Total					12,35,371

Similarly, excess excavation of approach and tail channel in soft rock to the extent of 11,600 cum beyond sanctioned estimated quantities resulted in avoidable extra expenditure of Rs.15 lakh¹⁰. The Department while accepting (January 2004) the extra expenditure did not furnish any reasons for excess excavation.

3.3.17 Implementation of the scheme for rejuvenation of tanks

Works were taken up under Raita Kayaka Kere scheme without following the laid down guidelines

In order to improve the performance of poorly performing MI tanks due to various deficiencies in dam and appurtenant works including distribution system, the Government launched (November 2001) a scheme titled 'Raita Kayaka Kere' for holistic rejuvenation of 745 tanks at an estimated cost of Rs.195 crore, which was later reduced (January 2003) to Rs.38.27 crore in the first stage for 191 tanks. Out of 187 tanks taken up for rejuvenation, work on 171 tanks was completed by March 2004. Expenditure of Rs.20.16 crore was incurred on these works. Test-check of some of these completed works revealed that while works had been shown as completed, some of the components of work such as improvements to canals and catchment areas,

¹⁰ 11,600 cum x Rs.126.75 per cum = Rs.14,70,300

estimated at Rs.1.05 crore had not been carried out. Consequently, the intended objective of holistic rejuvenation of tanks was not achieved in full. The prescribed norms such as selecting only those tanks which had surplussed at least once during the preceding five years and formation of WUS before taking up the works for rejuvenation, were not complied with by the Department. Payments were made without obtaining Quality Control (QC) test certificates for ensuring quality of work done. Besides, project completion reports along with certificates from WUS and QC authorities were not submitted to the higher authorities as envisaged in the scheme.

3.3.18 Shortfall in utilisation of irrigation potential

Actual irrigation potential utilised did not exceed 30 per cent of potential created in the last five years

As seen from the sanctioned estimates and the water rate demand statements in respect of the minor irrigation projects, the position of irrigation potential created and the potential actually utilised in the State during each year from 1999-2000 to 2003-04 was as follows:

(in lakh hectares)

Year	Number of projects	Irrigation potential	Irrigation potential utilised	Percentage shortfall
1999-2000	4,361	6.05	1.29	79
2000-01	4,361	6.05	1.78	71
2001-02	4,387	5.99	1.03	83
2002-03	4,438	6.20	0.63	90
2003-04	4,435	6.23	0.50	92

The extent of shortfall in the utilisation (1999-2000 to 2002-03) of irrigation potential created under LIS and MI tanks is discussed in the following paragraphs:

Lift irrigation schemes

In eight test-checked Divisions, 125 LIS were unproductive due to irregular power supply. While 16 hours of pumping per day was required to achieve the desired output of water, power supply was available only for six hours per day with fluctuating voltage, thereby severely affecting performance and causing damage to the motors. Consequently, as against the created potential of 40,603 ha of these LIS, the area actually irrigated ranged from 1,349 to 2,710 ha (three to seven per cent) during the period 1999-2003. The Department had not taken effective action to ensure assured power supply to make the schemes fully functional.

Existing tanks

The position of utilisation of irrigation potential of the existing tanks¹¹ in ten out of 16 Divisions during 1999-2000 to 2002-03 was as follows:

¹¹ Tanks existing as of March 1999

(in lakh hectares)

Year	'Nil' utilisation			Utilisation of 01 to 20 per cent		
	Number of tanks	Irrigation potential	Irrigation potential utilised	Number of tanks	Irrigation potential	Irrigation potential utilised
1999-2000	1,496	1.77	Nil	179	0.63	0.07
2000-01	1,209	1.47	Nil	171	0.56	0.05
2001-02	1,396	1.67	Nil	166	0.59	0.06
2002-03	1,796	2.25	Nil	104	0.42	0.04

Year	Utilisation of 21 to 70 per cent			Utilisation of 71 per cent & above		
	Number of tanks	Irrigation potential	Irrigation potential utilised	Number of tanks	Irrigation potential	Irrigation potential utilised
1999-2000	203	0.38	0.17	202	0.30	0.38
2000-01	307	0.54	0.22	393	0.51	0.63
2001-02	297	0.52	0.22	221	0.30	0.31
2002-03	111	0.24	0.09	69	0.17	0.30

As could be seen from the table, there was no utilisation of potential from 1999-2000 to 2002-03 in respect of tanks numbering 1,209 to 1,796 catering to command areas ranging from 1.47 lakh ha to 2.25 lakh ha. The utilisation of irrigation potential was more than 70 per cent only in respect of tanks numbering 69 to 393 during the period.

While the shortfall during 2002-03 was attributed (September 2003) by Government to drought, the reasons for shortfall during 1999-2002 were not analysed. It was, however, observed in audit in individual cases that non-utilisation of irrigation potential was due to silting up of tank beds and distribution canals, uncontrolled outlets, etc.

New tanks

The position of irrigation potential created from the tanks constructed by six test-checked Divisions during 1999-2003 and potential utilised there against was as under:

(in hectares)

Year	'Nil' utilisation			Utilisation of 01 to 20 per cent		
	Number of tanks	Irrigation potential	Irrigation potential utilised	Number of tanks	Irrigation potential	Irrigation potential utilised
1999-2000	42	10,218	Nil	2	1,924	57
2000-01	46	7,977	Nil	3	3,242	203
2001-02	38	4,884	Nil	9	6,087	392
2002-03	49	10,328	Nil	3	2,386	203

Year	Utilisation of 21 to 70 per cent			Utilisation of 71 per cent & above		
	Number of tanks	Irrigation potential	Irrigation potential utilised	Number of tanks	Irrigation potential	Irrigation potential utilised
1999-2000	4	1,050	443	2	220	200
2000-01	6	2,497	829	1	125	99
2001-02	7	2,650	971	3	413	344
2002-03	5	1,320	438	-	-	-

The number of tanks where there was no utilisation of potential ranged from 38 to 49 while utilisation of potential was more than 70 *per cent* in only one to three cases during the period 1999-2003.

The poor performance of the newly constructed tanks was attributed (February-May 2004) by the Department to non completion of distribution canals, improper location of tanks and protest from the villagers not allowing use of water for irrigation. Thus, unplanned execution of projects rendered the expenditure of Rs.125.82 crore incurred on these works largely unproductive.

3.3.19 Water Users' Societies

488 Water Users' Societies though formed were not functioning due to non-handing over of projects

The Government initiated (December 2000) action on formation of WUS and entrusting the management of MI tanks and LIS to these societies. However, as at the end of March 2004, only 488 WUS were registered against 3,868 projects and none of the projects was handed over to the concerned WUS for maintenance. Thus, the objective of promoting water management and maintenance of projects with the active participation of farmers through the forum of WUS was not achieved at all.

3.3.20 Water rates

The Vaidyanathan Committee constituted by Government of India in its Report (September 1992) recommended that the States should fix water rates in a manner so as to recover the cost of the maintenance in addition to one *per cent* of capital investment on the projects. The water rate demand is raised by the Department for collection by the Revenue Department. The water rates were last revised by the Government in July 2000. The year-wise position of the amount of demand raised and amount actually realised during 1999-2000 to 2003-04 was as under:

(Rupees in crore)			
Year	Actual maintenance expenditure*	Demand raised	Realised
1999-2000	21.59	1.89	0.55
2000-01	31.55	7.90	0.63
2001-02	26.90	7.61	0.65
2002-03	32.29	6.89	Nil
2003-04	41.93	2.14	NA
Total	154.26	26.43	1.83

* Source: Grant and outlay statements of the Department for the years 1999-2004

The demand raised during the period 1999-2004 on the basis of water rates constituted only 17 *per cent* of the maintenance cost (Rs.154.26 crore) during the period. There was no collection during 2002-03, as Government declared a tax holiday (September 2003) due to drought. As against the demand of Rs.26.43 crore during 1999-2004, the collection was only Rs.1.83 crore.

3.3.21 Monitoring and Evaluation

Project implementation and maintenance were affected due to improper monitoring at all levels

The implementation of programmes was not monitored by the Department except by way of holding monthly review meetings by the Administrative Department. No monitoring mechanism had been put in place in the Offices of SEs and CEs for monitoring financial and physical progress of the works. The maintenance of data at Divisional level was not also sound, as year-wise data of works executed, under progress and expenditure incurred was not maintained and wherever reported was incorrect/incomplete. Three out of eight Divisional Offices test-checked in audit had not maintained any monitoring data.

The Divisional Officers are also required to undertake regular pre and post monsoon inspection of tanks and submit Health Status Reports (HSR) annually to Central Water Commission. A review of the HSRs revealed that the reports did not reflect the condition of distribution canals, command area, actual area irrigated and reasons for shortfall. In the absence of this, various deficiencies such as uncontrolled outlets, silting of canals, old pumping machinery and changes in cropping pattern had not been monitored for remedial action.

Each Division is required to maintain a Register of Assets indicating details of assets and their book value so as to provide a comprehensive history of the assets of the Department. However, audit scrutiny revealed that the Department maintained only Registers of tanks/LIS/other projects listing out the assets maintained without indicating the value of assets or additions or alterations made thereof.

3.3.22 Conclusions

Large number of new works were taken up without according priority for completion of ongoing works. This resulted in scattering of resources and non-completion of a large number of works rendering investment thereon unfruitful. Preparation of project estimates without adequate investigation coupled with delay in acquisition of land and lack of monitoring led to huge cost and time overruns. Despite low utilisation of created potential in most of the MI projects, the Department did not analyse the reasons for shortfall nor took remedial action. An integrated approach to planning and execution of maintenance works in a cost effective manner was not adopted. None of the 488 WUS was entrusted with water management and maintenance of projects. The collection of water rates was also quite poor.

3.3.23 Recommendations

- Prioritisation of works within available resources without spreading resources thin over a large number of works is essential.
- Reasons for cost and time overruns need to be analysed and measures for speedy completion of works taken.
- The reasons for low or non-utilisation of created irrigation potential in a large number of projects need to be investigated so that appropriate remedial measures are taken for optimal utilisation.
- The maintenance requirements of different projects need to be assessed and detailed guidelines laid down for carrying out maintenance works in a cost effective manner.
- WUS need to be made functional so as to secure participation of farmers for promoting water management and maintenance of projects.
- Recovery of water rates including arrears requires to be speeded up for providing resources for maintenance of projects.

3.3.24 The above points were referred to Government in September 2004; their reply had not been received (December 2004).

EDUCATION DEPARTMENT

3.4 Working of the Government Film and Television Institute, Hesaraghatta

In order to keep pace with developments in the film industry and to provide sophisticated equipment and studio, State Government accorded (August 1996) sanction to establish the Government Institute of Films and Television (Institute) at Hesaraghatta (30 kilometers from Bangalore City) under the scheme of strengthening technical education. The two three-year diploma courses on Cinematography and Sound Recording Engineering (SRE) earlier conducted at the Government Polytechnic, Bangalore were transferred to the Institute. The Institute was established at a cost of Rs.12.73 crore[◆] and started functioning from July 1998 under the administrative control of Director, Technical Education. Scrutiny of records revealed the following:

3.4.1 Under-utilisation of studios

Lack of demand for studios from cinema industry due to non-availability of facilities rendered expenditure of Rs.2.16 crore largely unfruitful

Though, the scheme envisaged hiring out studios and equipment to cinema industry, State Government fixed (February 2002) rates for hiring of only studios and that too after nearly three years. Studios were hired by cinema industry only on two occasions (September 2002 and February 2004) for three days each. The Principal of the Institute attributed (July 2004) the poor response from cinema/TV industry to the distance of the institute and lack of professional staff and other facilities. However, it was observed in audit that the decision of the Government to permit hiring of only the studio, without permitting hiring of equipment which film producers were required to bring from outside was a major constraint in utilising the infrastructure. Failure of the State Government to provide necessary technicians/professionals and permit hiring of equipment and creation of other facilities resulted in under-utilisation of studios (cost: Rs.2.16 crore), spread over an area of 11,100 sft.

3.4.2 Non-utilisation of equipment

Failure to provide necessary technical staff resulted in non-utilisation of equipment costing Rs.4.47 crore

Twenty five equipment valued at Rs.4.47 crore consisting of video cameras, sound recording and electrical accessories remained unutilised due to non-availability of professionals/technicians (seven), non-hiring of the equipment (six), non-installation (three) and for want of repairs (nine). Though posts of technicians required to operate these equipment were sanctioned, the same were not filled up.

◆ Building with space of 36,315 sft - Rs.5.99 crore, equipment - Rs.6.52 crore, furniture - Rs.17 lakh, Library - Rs.five lakh)

3.4.3 Shortfall in student enrolment

Shortfall in enrolment of students ranged from 27 to 61 per cent under Cinematography and 80 to 97 per cent under SRE

As against the intake capacity of the Institute of 20 students up to 1999-2000 and 33 from 2000-01 for each course (Cinematography and SRE), there was shortfall in admission of students in both the courses. The position of students admitted during the period 1999-2004 was as follows:

Year	Cinematography			Sound Recording Engineering		
	Capacity	Admitted	Percentage of shortfall	Capacity	Admitted	Percentage of shortfall
1999-2000	20	13	35	20	04	80
2000-01	33	13	61	33	01	97
2001-02	33	16	52	33	01	97
2002-03	33	24	27	33	05	85
2003-04	33	20	39	33	04	88

Shortfall in student intake under Cinematography ranged from 27 to 61 per cent while under SRE, it was from 80 to 97 per cent. The Principal attributed (June 2004) shortfall in admissions to the Institute being located away from the city and lack of awareness among students to take SRE as a professional course. However, it was observed in audit that the Directorate/Government had not taken steps to popularise the courses and create awareness among students on availability of facilities for ensuring optimum enrolment of students. Besides, the Institute had neither any placement arrangement with the cinema/TV industry for securing jobs to successful students nor was there any mechanism in place to ensure better co-operation and co-ordination with the industry so that the Institute's facilities are used by the industry and the students too benefit from interaction with industry personnel.

3.4.4 Conclusions

The Government did not permit hiring of equipment, thereby losing substantial potential income. The studio facility itself was not popular with the industry. In the absence of any placement service, there was heavy shortfall in the intake of students which raises the question of whether the Institute should continue its activities at all, particularly the course on SRE.

3.4.5 Recommendations

Instead of running the Institute as a typical Government department, there should be much more interaction with the industry so that the students get better training and more exposure and the Institute also benefits through use of the studio by the industry. The equipment should also be permitted to be hired out. For doing all this, it is essential to equip the Institute with adequate number of skilled personnel.

3.4.6 The matter was referred to Government in July 2004; reply had not been received (October 2004).

WATER RESOURCES DEPARTMENT

MINOR IRRIGATION

3.5 Stores procurement in Minor Irrigation Department

3.5.1 Introduction

Minor Irrigation Divisions of the Department use steel, cement, pipes, sponge rubber, pressure relief valves, outlet gates, *etc.*, in construction and maintenance of minor irrigation works. Purchase, receipt, issue, custody, sale and condemnation of these stocks are regulated under the provisions of the Karnataka Public Works Accounts Code, the Karnataka Public Works Departmental Code and the Stores Manual.

The stores material costing Rs.8.21 crore¹² purchased by 11¹³ of the 16 Divisions of the Department during the period 1999-2004 was test-checked in audit from January to April 2004 which revealed the following:

3.5.2 Irregularities in store accounts

The Stores Manual of the Department lays down that the value of stores purchased by the divisions is to be debited to the suspense head 'Stock' in the Divisional accounts and kept in stores for subsequent issue to works. Only in cases where purchases are made for specific works, the stocks are required to be debited directly to specific works monitoring their accountal and utilisation through Material-at-Site (MAS) account. Each Sub-division is required to render monthly returns to the Divisional Office indicating receipt, utilisation and balances under the MAS account. The material lying at site is subject to physical verification annually or at the completion of work or at the time of change in incumbency of Section Officers.

The Divisional Officers kept purchases outside the stock account by debiting their cost to works for which funds were available

In the test-checked Divisions, the entire stores material of Rs.8.21 crore purchased by Divisional Officers during 1999-2004 was kept outside the Divisional stock accounts by debiting the value directly to works for which funds were available for being taken to MAS account. This was done despite the fact that these stocks were not meant for these works. Consequently, the purchases made by the Divisional Officers were kept irregularly outside Divisional stock and monthly Divisional accounts which were susceptible to check by Controlling Officers.

¹² 1999-2000: Rs.2.86 crore, 2000-01: Rs.2.38 crore, 2001-02: Rs.2.07 crore, 2002-03: Rs.0.46 crore and 2003-04: Rs.0.44 crore

¹³ Bangalore, Bellary, Belgaum, Bijapur, Bidar, Dharwad, Gulbarga, Kolar, Kushtagi, Mangalore and Tumkur

Of Rs.8.21 crore, material costing Rs.2.92 crore purchased in eight Divisions¹⁴ (Rs.2.07 crore in Kushtagi Division) and issued to respective Section Officers during 1999-2004 had not actually been taken to MAS account of the Sub-divisions. Audit scrutiny also revealed that material purchased by three Divisions¹⁵ during 1999-2004 at a cost of Rs.1.10 crore had also not been accounted for in MAS accounts although it was certified on supply bills that the stock had been taken to MAS account. Action was not taken to ascertain the factual position.

There were large-scale irregularities in maintenance of MAS accounts leading to non-accountal of material. Material-at-site was also not physically verified.

Material costing Rs.1.74 crore purchased during 1999-2001 and issued to Section Officers was lying outstanding against them as unutilised stores. In the absence of MAS returns, which were not submitted for two to 60 months (up to March 2004) to the Divisional Officers, the utilisation and physical status of these stores was not ascertainable. No action was taken against the defaulting Section Officers for not submitting the returns. In four Sub-divisions (Bellary, Bidar, Gulbarga and Kushtagi), material costing Rs.1.42 crore had not been handed over to their successors by eight Section Officers on their transfer (August 2000 to April 2002) from their Sub-divisions as required under the Codal provisions. The material had neither been taken back to stock nor was its utilisation on record.

Physical verification of Material-at-site had not been carried out in any of the Sub-divisions of 11 test-checked Divisions during the period under review, as required under Codal provisions. In its absence, the existence of materials at site, their condition and actual utilisation was not ascertainable.

3.5.3 Splitting up of purchase orders

Divisional Officers procured materials costing Rs.8.21 crore by splitting up the purchases so as to avoid sanction of competent authority

Provisions of the Stores Manual prescribe that procurement of materials required for use in various works should be made after working out their actual requirement and obtaining approval to the Stores Budget. The Manual prohibits purchases being made by splitting up the purchase orders for evading sanction of the higher authorities.

In the test-checked Divisions, purchase of guage plates, expansion joints, core cables, sponge rubber, tender booklets, *etc.*, costing Rs.8.21 crore was made without assessing their requirement, obtaining funds and approval of the competent authority in violation of Codal provisions and financial rules. The purchases were made in piecemeal manner by splitting these so as to evade sanction¹⁶ of higher authorities. It was also observed that orders were placed by the Divisional Officer for the same item of purchase through more than one purchase order on the same day with the same supplier. Division-wise details of purchases made in piecemeal are indicated in **Appendix 3.2**. It would be seen that expenditure of Rs.6.32 crore (77 per cent of total purchases) was incurred by splitting up purchases at Divisional level and Rs.1.89 crore (23 per cent) incurred by obtaining piecemeal approvals from Superintending

¹⁴ Bangalore, Belgaum, Bellary, Bijapur, Dharwad, Kushtagi, Mangalore and Tumkur

¹⁵ Bijapur, Gulbarga and Kushtagi

¹⁶ Powers delegated: Divisional Officer – up to Rs.15,000, Superintending Engineer – Rs.15,001 to Rs.25,000 and Chief Engineer-Rs.25,001 to Rs. one lakh

Engineers and Chief Engineers, which otherwise was beyond their financial powers.

3.5.4 Purchase at higher rates

Extra expenditure of Rs.1.28 crore was incurred due to purchase of material at higher rates

The Stores Manual provides that stores, the value of which exceeds Rs.2,500 should be purchased after publishing notices inviting tenders in the Karnataka State Gazette and in case the value exceeds Rs.5,000, notices inviting tenders should be published in newspapers.

Review of purchase records in nine¹⁷ test-checked Divisions revealed that material costing Rs.2.49 crore was purchased (April 1999 to September 2003) on the basis of short term local quotations without calling for tenders and publishing them in the newspapers even though the value of purchases exceeded Rs.5,000. The rates at which the purchases were made were higher than the rates fixed for the same items and of same specification by Karnataka Small Industries Marketing Corporation Limited, Karnataka Power Transmission Corporation Limited and Stores Purchase Department and those approved by neighbouring Divisions of Public Works and Water Resources Departments during the corresponding period. Purchase at higher rates resulted in avoidable extra expenditure of Rs.1.28 crore, as per details given in **Appendix 3.3**.

The Divisional Officers in their reply stated (January/April 2004) that the material was purchased on local quotation basis in view of urgency. The reply was not tenable as these store items were routinely required by the Divisions and most of the stocks were still lying unutilised as of March 2004.

3.5.5 Surplus and unserviceable stores

Material costing Rs.1.03 crore was declared surplus. Further, material costing Rs.55.45 lakh was declared unserviceable

In eight Divisions¹⁸, material such as sponge rubber, expansion joints, RCC neon boards, gauge plates, *etc.*, costing Rs.1.03 crore procured between 1994 and 2003, were declared surplus as these were not required for use. The material, in the absence of any demand, could not be transferred to other sister divisions. Thus, purchase of materials in excess of requirement resulted in blockage of funds amounting to Rs.1.03 crore. Besides, unused stores like spare parts of vehicles, transformers, building material, *etc.*, procured at a cost of Rs.55.45 lakh between 1984 and 1994 were declared (September 2003) unserviceable resulting in wastage of public money.

3.5.6 Shortages

Codal provisions prescribe that pending adjustment/recovery, the value of shortage of materials noticed should be kept under the head Miscellaneous Public Works Advances (MPWA) under the orders of competent authority. Shortages of stores aggregating Rs.1.13 lakh in three Divisions (Dharwad,

¹⁷ Bangalore, Bellary, Belgaum, Bidar, Bijapur, Dharwad, Gulbarga, Kolar and Kushtagi

¹⁸ Belgaum, Bidar, Bijapur, Dharwad, Gulbarga, Kolar, Kushtagi and Tumkur

Kushtagi and Tumkur) and tools and plants articles costing Rs.7.36 lakh (Dharwad Division) were noticed at the time of physical verification (September 2001) and handing over of charge to new incumbents (August 2002). The value of shortages had neither been recovered nor kept under MPWA for watching recoveries (October 2004).

3.5.7 Diversion of funds

**Divisional Officers
irregularly diverted
Rs.62.66 lakh for
unauthorised works**

In Belgaum Division, expenditure of Rs.36.63 lakh was incurred on repair of the office building (March-October 2001) by irregularly diverting funds meant for execution of work on three tanks and one barrage. The repair work was taken up unauthorisedly as maintenance of the building was the responsibility of the Public Works Department. Similarly, material like pumps, starters, MS gates, *etc.*, costing Rs.22.20 lakh was purchased during 2002-04 by diverting funds meant for annual maintenance of four lift irrigation schemes. The material which was not required for these schemes was lying unutilised as of March 2004.

Similarly, expenditure of Rs.3.83 lakh was incurred (October 2003) in Kushtagi Division on purchase of aluminium windows and partitions for Divisional office by diverting funds meant for execution of four minor irrigation works.

3.5.8 Conclusions

The Divisional Officers purchased stores without assessing their actual requirement and in contravention of the financial rules and Codal provisions. This led to surplus stores and purchases at exorbitantly high rates with the resultant avoidable extra expenditure. The Divisional Officers also failed to account for all the purchases in material-at-site account and to verify their utilisation.

3.5.9 Recommendations

- The internal control mechanism of the Department needs to be strengthened so as to ensure procurement and accountal of material in accordance with the laid down Codal provisions.
- Material purchased and issued to Section Officers (material-at-site) and its consumption need to be got verified at appropriate level.
- Responsibility needs to be fixed for effecting purchases irregularly and at higher rates in violation of rules and Codal provisions.
- Surplus and unserviceable store items need to be disposed of at the earliest.

In reply, Government stated (October 2004) that action would be taken to recover value of shortages and value of stores purchased at exorbitant rates, besides regularising the purchases after proper verification.

