

## Executive Summery

### 1. Background

In order to bring the entire State under the purview of uniform law Government enacted Karnataka Housing Board Act, 1962.

The primary objective of the Karnataka Housing Board (KHB) is 'to make such schemes and to carry out such works as were necessary for the purpose of dealing with and satisfying the need of housing accommodation'.

The Performance Audit was conducted during February to July 2013 covering the period 2008-13. Entry and exit conferences were held with the Principal Secretary, Department of Housing. The responses of various officers of the KHB to the audit observations have been taken into consideration and incorporated in this report. While the main findings are summarised in the following paragraphs, the details are available in the specific chapters.

### 2. Planning

- KHB selected the locations and the extent of land arbitrarily without conducting any demand survey or ascertaining availability of land. This resulted in non-execution of projects in approved places or projects being shifted to subsequently identified locations.
- In three test-checked projects, KHB acquired land for housing projects without verifying the land use patterns prescribed in the Master Plan of respective Planning Authorities.

(Chapter-1)

### 3. Acquisition of land

- KHB resorted to purchase of land in fragments, followed by acquisition under LA Act, 1894 to form a compact block. This led to delay in completion of acquisition process. Also, the direct purchase facilitated middlemen in purchasing identified land from the farmers at throwaway prices and offering the same to KHB at exorbitant rates reaping huge profit in the bargain.
- The District Purchase Committee (DPC) was bound to adhere to the guidelines issued by the Government during November 2001. However, contrary to guidelines, rates fixed for compensation in six test-checked cases were found to be fixed without transparency and proper justification.
- KHB did not have a defined policy for grant of incentive sites/ developed land in lieu of land compensation. It decided the compensation on a case to case basis driven by the demand of land owners.

- Special Land Acquisition Officer (SLAO) failed to obtain all documents necessary for processing claims before payment of compensation. Hence, ₹ 8.52 crore was paid as compensation without availability of necessary documents and therefore audit could not derive assurance that payments were made to rightful owners.

**(Chapter-2)**

#### **4. Execution and costing**

- KHB did not follow the procedures prescribed under the Karnataka Transparency in Public Procurement Act, 1999 while inviting or processing the tenders.
- KHB adopted manual excavation instead of mechanical means for 9,28,465.50 cum of earth in 18 out of 32 works incurring an avoidable expenditure of ₹ 9.16 crore.
- KHB used water bound macadam as base course for majority of the roads in 19 works instead of wet mixed macadam resulting in extra expenditure of ₹ 5.26 crore.
- KHB had not drawn up a costing manual prescribing the guidelines for fixation of allotment rate. Fixation of allotment rate before actual completion of the project resulted in a loss of ₹ 146.26 crore in three projects.

**(Chapter-3)**

#### **5. Allotment**

- In the absence of specific rules and regulations for allotment of Discretionary Quota (DQ), stray and Civic Amenity (CA) sites, there existed inconsistencies in their allotment. KHB made allotments on request and at rates lower than the rates fixed in its resolutions.
- 239 houses in Suryanagar Phase III, Bangalore and 54 houses in Kalagnoor- Kushnoor, Gulbarga were allotted directly without issuing public notification.
- CA sites were not relinquished as required to the local development authorities and also there was no transparency in their allotment. There existed inefficiency in management of CA sites as many CA sites had been used for unauthorised purposes while many others remained unutilised.
- Many CA sites as well as many properties of KHB remained encroached upon and KHB did not take any effective action to evict the encroachers and restore its properties.

**(Chapter-4)**

## 6. Conclusion

KHB's functioning, especially in regard to selection of locations for housing projects, was not effective as acquisition of land for housing projects was not driven by demand. Instead, direct purchase of land in bits and pieces from those volunteering to sell the land by mutual consent was the determining factor for selection of locations for the housing projects. The residual land required for the housing projects was acquired under the LA Act, 1894 by paying the compensation determined for direct purchase. Lack of policy or rules for direct purchase of land facilitated arbitrary purchase of land directly from volunteers at inordinately high rates.

There was no prior consultation by KHB with the other jurisdictional Planning Authorities to ensure that land earmarked for parks and roads in the Master Plan of the Local Authority were not notified for housing purpose.

KHB violated prescribed procedures while inviting tenders and managed the contracts inefficiently resulting in excess payment/undue benefit to the contractors. The adoption of prior costing method in determining selling price for the sites/houses developed in various projects resulted in financial loss as KHB could not recover the entire expenses made in acquiring and developing the land/houses.

The allotment of various categories of sites by KHB was not consistent with the rules. CA sites had been allotted directly without notifying these to public and unjustifiable concession in price had been extended to several allottees. Management of CA sites by KHB was ineffective as many CA sites had been used for unauthorised purposes while many others remained unutilised. Many properties of KHB remained encroached upon and no serious efforts were made by KHB to clear the encroachments and restore the properties to its fold.

(Chapter-5)

## 7. Recommendations

- In order to ensure systematic and orderly development of housing projects in the State, the Government needs to ensure that the KHB acquires land on the basis of demand and also after prior consultation with the jurisdictional Planning Authorities.
- The Government needs to address the issue of fixation of cost of land acquired on the basis of market value by framing guidelines prescribing the procedure for fixation of cost of land. This is essential to guard against high price being paid, based on demand of the land owner or middle men.

- KHB needs to revise its Rules for allotment of different categories of sites. It also needs to frame appropriate guidelines to ensure that there is transparency in allotment of CA sites.

**(Chapter-5)**

