# Report of the
# Comptroller and Auditor General of India
# Compliance Audit on
# Departments and Public Sector Undertakings

## for the year ended March 2021

## Government of Karnataka

***Report No. 7 of the year 2022***

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# Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2021 has been prepared for submission to the Governor of Karnataka under Article 151 (2) of the Constitution to be tabled in the State Legislature.

This report deals with the results of audit of Government Departments, Autonomous bodies and Public Sector Undertakings for the year ended March 2021.

This Report contains two parts. Part-I of the Report contains nine compliance audit paragraphs pertaining to Urban Development Department, Industry and Commerce Department, Public Works Department and Transport Department. Part-II of the Report contains eight compliance audit paragraphs pertaining to seven public sector undertakings coming under the administrative control of Energy Department, Commerce and Industries Department, Information Technology and Biotechnology and Science & Technology Department, Forest, Ecology and Environment Department, Urban Development Department and Transport Department.

The accounts of the Government Companies (including companies deemed to be Government companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956, and Sections 139 and 143 of the Companies Act, 2013. The accounts, certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act, are subject to supplementary audit by the officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG.

The Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the CAG for laying before the State Legislature of Karnataka under the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this report are those, which came to notice in the course of test audit for the period 2020-21 as well as those, which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to period subsequent to 2020-21 are also included, wherever found necessary.

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

# Overview

## Overview

This Report contains two parts, *viz.* Part-I (Compliance Audit Observations on Departments) and Part-II (Compliance Audit Observations on Public Sector Undertakings). Part-I of the Report contains nine compliance audit paragraphs pertaining to Bangalore Development Authority, Bengaluru Water Supply and Sewerage Board, Labor Department, Commerce and Industries Department, Public Works Department and Transport Department. Part-II of the Report contains eight compliance audit paragraphs pertaining to seven public sector undertakings coming under the administrative control of Energy Department, Commerce and Industries Department, Urban Development Department, Electronics, Information Technology and Biotechnology and Science & Technology Department, Forest Department and Transport Department. The overview of Part-I and Part-II of the Report is given below.

## Part-I

### 1. Introduction

This part relates to matters arising from compliance audit of Government Departments and Autonomous Bodies. Compliance audit refers to examination of the transactions of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with.

The primary purpose of the Report is to bring important results of audit to the notice of the State Legislature. The audit findings are expected to enable the Executive to take corrective actions as also to frame policies and issue directives that will lead to improved management, thus, contributing to better governance.

***Budget Profile and application of resources of the State Government***

During the year 2020-21, as against the total outlay of ₹ 6,94,917 crore, the application of resources was ₹ 5,48,481 crore. While the total expenditure (*i.e.* total of revenue expenditure, capital outlay and loans and advances) increased by 38 *per cent* during the period 2016-17 to 2020-21, the revenue expenditure increased by 33 *per cent* during the above period. The revenue expenditure (₹ 1,76,054 crore) constituted 78 *per cent* of the total expenditure (₹ 2,26,795 crore) during 2020-21.

### 2. *Coverage of Report related to departments*

The Compliance Audit Observations related to departments are included in Chapter II of Part I and the gist of the observations is given below.

- Improper planning and execution of housing project at Kanminike by Bangalore Development Authority resulted in unrealized revenue of ₹ 451.53 crore and wasteful expenditure of ₹ 27.24 crore apart from non-fulfilling the intended objective of providing houses for people belonging to economically weaker section.

***(Paragraph 2.1)***

- Extension of land compensation benefits applicable for prevailing layouts to older layouts in disregard of the relevant rules/regulations and court orders resulted in undue favour to the landowners and additional financial liability to Bangalore Development Authority to the extent of ₹ 29.85 crore.

***(Paragraph 2.2)***

- Bangalore Development Authority (BDA) irregularly refunded initial deposit of ₹ 1.52 crore in violation of applicable rules resulting in extension of undue favour to the auction purchaser.

***(Paragraph 2.3)***

- Providing polymer based protective coating to sewage pipes in addition to the economical corrosion control measures prescribed in Detailed Project Report and CPHEEO guidelines led to avoidable extra expenditure of ₹ 40.65 crore to Bengaluru Water Supply and Sewerage Board.

***(Paragraph 2.4)***

- The failure of Bangalore Water Supply and Sewerage Board to monitor remittance of EPF and ESI contributions by the outsourcing agency led to short remittance of ₹ 32.11 crore. Further, lack of due diligence in calculation of service charge and gross wages to be paid to the agency resulted in excess payment of ₹ 5.14 crore.

***(Paragraph 2.5)***

- Adoption of incorrect schedule of rates resulted in extension of undue benefit to the contractors by ₹ 2.04 crore.

***(Paragraph 2.6)***

- Release of the grant of ₹ 1.01 crore to Moodalakatte Institute of Technology, Kundapura under Suvarna Kayaka Koushalyabhivridhi Yojane without any formal agreement and security was in violation of scheme guidelines.

***(Paragraph 2.7)***

- The rate for mechanical method of excavation was lower than rate for manual method. In construction of building contract, the contractor carried out excavation in soft rock by mechanical method but was paid rate as applicable to manual method resulting in excess payment of ₹ 1.56 crore. which was irregular.

***(Paragraph 2.8)***

- Incorrect classification of recovery vehicles and non-levy of quarterly tax as per KMV Rules led to short levy of LTT and quarterly tax aggregating ₹ 97.66 lakh.

***(Paragraph 2.9)***

## Part-II

### Overview of State Public Sector Undertakings (PSUs)

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013 (Act). The accounts of Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2021, there were 124 PSUs in Karnataka including six Statutory Corporations and 13 non-working Government companies under the audit jurisdiction of the Comptroller and Auditor General of India. The working PSUs registered a turnover of ₹ 77,607.61 crore as per their latest finalised accounts as of November 2021. This turnover was equal to 4.66 *per cent* of the State Gross Domestic Product (GDP) for 2020-21 (*i.e.* ₹ 16,65,320 crore) indicating the important role played by the PSUs in the economy. The working PSUs incurred net aggregate loss of ₹ 5,137.65 crore as per their latest finalised accounts as of November 2021.

### 1. Functioning of State Public Sector Undertakings

***Investment in State PSUs***

As on 31 March 2021, the investment (capital and long-term loans) in 124 PSUs was ₹ 1,85,804.43 crore. This total investment consisted of 48.74 *per cent* towards capital and 51.26 *per cent* in long-term loans. The investment grew by 79.14 *per cent* from ₹ 1,03,717.40 crore in 2016-17 to ₹ 1,85,804.43 crore in 2020-21.

***Performance of PSUs as per their latest finalised accounts***

Out of the 124 PSUs, 111 PSUs are working and 13 PSUs non-working. Out of 111 working PSUs, 47 PSUs earned profit of ₹ 2,986.47 crore and 42 PSUs incurred loss of ₹ 8,124.12 crore. The major contributors to profit were KPCL (₹ 1,209.56 crore) and KPTCL (₹ 398.93 crore). Significant losses were incurred by HESCOM (₹ 2,490.26 crore) and RPCL (₹ 1,431.84 crore).

The working PSUs showed net aggregate profits of ₹ 155.12 crore during 2016-17 and incurred net aggregate loss of ₹ 2,099.69 crore, ₹ 2,340.99 crore, ₹ 3,374.05 crore and ₹ 5,137.65 crore during the year 2017-18, 2018-19, 2019-20 and 2020-21 respectively.

***Submission of accounts by PSUs***

During 2020-21, 76 accounts pertaining to 71 PSUs were finalised, which included six accounts of six Statutory Corporations. The number of accounts in arrears increased from 75 (2016-17) to 107 (2020-21). Of the 107 arrears of accounts, 101 accounts pertained to the working Government Companies, which were in arrears ranging between one and seven years and six accounts pertaining to six Statutory Corporations, which were in arrears for one year.

***Coverage of Report related to PSUs***

The Compliance Audit Observations related to PSUs are included in Chapter II of Part II and the gist of the observations is given below:

## 2. Compliance Audit Observations on PSUs

The observations included in this Chapter highlight deficiencies in planning, investment and other activities in the management of PSUs, which resulted in financial irregularities. The observations are broadly of the following nature:

- *Loss of grant/Loss of revenue* - ₹ 266.43 crore

  ***(Paragraphs 2.3 and 2.4)***

- *Unprofitable/Unproductive investment* - ₹ 40.96 crore

  ***(Paragraph 2.5 and 2.7)***

- *Extra expenditure/Undue benefit* - ₹ 15.18 crore

  ***(Paragraph 2.6 and 2.8)***

**Gist of some of the important audit observations is given below:**

- **Implementation of Distribution Automation System**

  Bangalore Electricity Supply Company Limited delayed implementation of Distribution Automation System (DAS) by eight years beyond the scheduled date due to substantial time taken for statutory clearances, construction of control centers, mapping of assets in the field on the GIS network and integration of remote switching devices with DAS. Consequent to delay (January 2012 to March 2019), system components have reached end of life (2021) requiring upgradation of both software and hardware before any material benefits could be derived out of the project that was implemented at a total cost of ₹ 572.64 crore.

  ***(Paragraph 2.1)***

- **Loss making PSUs**

  - The Transport Corporations sustained losses mainly on account of two factors, *viz*. Non-revision of fare as per automatic fare adjustment formula approved by the Government and non-receipt of eligible share of expenditure towards concessions extended to various categories of commuters.

  - In respect of Hubli-Dharwad Bus Rapid Transit System Company Ltd, the actual operations were carried out through standard premium quality AC buses (Volvo brand) which are relatively less fuel efficient, as against operation of standard buses envisaged in the Detailed Feasibility Report. The lesser fuel efficiency of AC buses had led to additional operational cost of ₹ 10.01 crore during 2019-21. Further, Non-Ac bus fare was adopted for operating AC buses. Also, the recommendations made by High Power Committee on revision of fares, waiver of MV tax, imposition of public transport fuel cess, *etc.* were not implemented.

- As at the end of March 2021, claims amounting to ₹ 6,879.99 crore pertaining to period 2007-08 to 2020-21 against Government were outstanding towards tariff subsidy and other claims. The interest payments on borrowings from banks and financial institutions had increased by 130 *per cent* in HESCOM and 176 *per cent* in GESCOM over a period of six years (2015-16 to 2020-21). KERC observed absence of prompt action in issue and collection of bills from the consumers and has disallowed Late Payment Surcharge of ₹ 2,616.63 crore incurred on power purchase bills.

- In respect of KPC GPCL, the Combined Cycle Power Plant at Bidadi has been deferred, while the project at Yelahanka was delayed substantially and did not commence its operations yet (January 2022), against the scheduled date of commissioning by May 2018. The Company incurred significant expenditure of ₹ 2,150.70 crore on the project. Further, there would be under-recovery of cost by ₹ 1.38 per unit in respect of Waste to Energy project at Bidadi.

- The decreased sales performance of KSCDCL was mainly due to lack of technological upgradation of manufacturing units, excessive dependence on the orders from the government institutions and non-exploration of domestic and international markets.

- In respect of MYSUGAR, no concrete steps were initiated despite declaring the Company sick as early as early as in 2005. The decision to lease out the Company to private operators in November 2020 did not fructify. The GoK infused funds to the tune of ₹ 526.51 crore after the Company had been declared sick. An evaluation study by an external agency attributed losses to significant rise in cost of sugarcane and conversion cost with average price of realization from sale of sugar remained constant, inefficiencies in operations of old machineries, lower staff productivity, limited / non-operation of other product lines (distillery / co-gen plant), *etc*.

***(Paragraph 2.2)***

➢ BMTC took initiative to induct eco-friendly buses with financial assistance from Government of India but backed out after inviting tenders resulted in loss of central grant of ₹ 170.31 crore and deprived Bengaluru City benefitted from reduction of air pollution.

***(Paragraph 2.3)***

- Failure to renew the lease period of forest land and non-obtaining prior clearance for approach road from the forest authorities for establishing wind projects at Sogi and Mavinahunda resulted in idling of equipment worth ₹ 65.78 crore for six months to four years without being put to use for generation. The Karnataka Renewable Energy Development Limited had lost revenue of ₹ 30.34 crore.

***(Paragraph 2.4)***

- Large scale plantation of Subabul Species for commercial exploitation before yield results of pilot plantation raised and inadequate maintenance of plantations by Karnataka Forest Development Corporation Limited resulted in avoidable investment of ₹ 9.25 crore.

***(Paragraph 2.5)***

- Government incurred loss of ₹ 11.13 crore on account of procurement and supply of non-IT products by KEONICS to Government Department and KEONICS also violated provision of 4(g) exemption issued under Karnataka Transparency in Public Procurements Act Transparency Act.

***(Paragraph 2.6)***

- Import of sand without studying market conditions and feasibility of sale by Mysore Sales International Limited rendered stock worth ₹ 21.14 crore idle for four years and investment of ₹ 10.57 crore unproductive.

***(Paragraph 2.7)***

- Fixation of price of land at much lower rate than that prevailed in the market by Karnataka State Textile Infrastructure Development Corporation Limited resulted in extension of undue favour to Karnataka State Cricket Association by ₹ 4.05 crore.

***(Paragraph 2.8)***

# PART - I

# Chapter - I

# Chapter -I

## Introduction

**1.1.** This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from compliance audit of Government Departments and Autonomous Bodies. Compliance audit refers to examination of the transactions of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with.

The primary purpose of the Report is to bring important results of audit to the notice of the State Legislature. The audit findings are expected to enable the Executive to take corrective actions as also to frame policies and issue directives that will lead to improved management, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the follow-up on previous Audit Reports. Chapter-II of this report contains findings arising out of observations of compliance audit in Government Departments and Autonomous Bodies.

## Budget profile

**1.2.** The position of budget estimates and actual expenditure there against by the State Government during the period 2016-17 to 2020-21 is given in table below:

**Table No. 1.1: Budget and actual expenditure of the State during 2016-17 to 2020-21**

**(₹ in crore)**

| Sl. No. | Expenditure | 2016-17 | | 2017-18 | | 2018-19 | | 2019-20 | | 2020-21 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Budget Estimate | Actual | Budget Estimate | Actual | Budget Estimate | Actual | Budget Estimate | Actual | Budget Estimate | Actual |
| 1 | General services | 35,018 | 31,265 | 38,009 | 34,484 | 45,744 | 42,655 | 50,492 | 48,824 | 59603 | 55018 |
| 2 | Social services | 50,960 | 54,549 | 55,887 | 58,652 | 70,226 | 67,935 | 71,350 | 66,373 | 65047 | 61726 |
| 3 | Economic services | 38,277 | 40,421 | 43,671 | 42,856 | 44,152 | 48,285 | 52,907 | 52,636 | 48536 | 53629 |
| 4 | Grant-in-aid & contributions | 5,980 | 5,686 | 7,187 | 6,490 | 6,167 | 5,425 | 6,856 | 6,425 | 6591 | 5681 |
| | **Total (A)** | **1,30,235** | **1,31,921** | **1,44,754** | **1,42,482** | **1,66,289** | **1,64,300** | **1,81,605** | **1,74,258** | **179777** | **176054** |
| 5 | Capital outlay | 25,716 | 28,150 | 32,033 | 30,667 | 35,246 | 34,659 | 40,080 | 35,530 | 43059 | 45406 |
| 6 | Loans & advance disbursed | 625 | 1,934 | 1,597 | 5,093 | 5,817 | 4,487 | 2,503 | 4,069 | 3452 | 2669 |
| 7 | Repayment of public debt | 6,841 | 7,420 | 8,176 | 8,269 | 11,136 | 11,083 | 9,964 | 10,180 | 11605 | 11016 |
| 8 | Contingency fund | 5 | 0 | 5 | 0 | 5 | 0 | 5 | 0 | 5 | 0 |
| 9 | Public accounts disbursement | 3,42,036 | 1,67,154* | 5,09,624 | 1,94,537* | 5,10,667 | 2,34,330* | 5,19,964 | 2,45,292* | 457019 | 266193* |
| 10 | Closing balance | - | 34,354 | - | 26,184 | - | 22,004 | - | 34,463 | - | 47143 |
| | **Total (B)** | **3,75,223** | **2,39,012** | **5,51,435** | **2,64,750** | **5,62,871** | **3,06,563** | **5,72,516** | **3,29,534** | **5,15,140** | **3,72,427** |
| | **Grand Total (A+B)** | **5,05,458** | **3,70,933** | **6,96,189** | **4,07,232** | **7,29,160** | **4,70,863** | **7,54,121** | **5,03,792** | **6,94,917** | **5,48,481** |

*Does not include investments.

**Source:** Annual Financial Statement and State Finance Audit Reports of respective years.

## Application of resources of the State Government

**1.3.** As against the total budget outlay of ₹ 6,94,917 crore, the application of resources was ₹ 5,48,481 crore during 2020-21. The total expenditure (total of Revenue Expenditure, Capital Outlay and Loans and Advances) of the State increased by 38 *per cent* from ₹ 1,62,005 crore to ₹ 2,24,129 crore during the period 2016-17 to 2020-21, while the revenue expenditure increased by 33 *per cent* from ₹ 1,31,921 crore to ₹ 1,76,054 crore during the same period. The revenue expenditure constituted 79 to 85 *per cent* of the total expenditure while capital expenditure was 17 to 20 *per cent* of the total expenditure during the period from 2016-17 to 2020-21.

During the period from 2016-17 to 2020-21, total expenditure increased at an annual average rate of 10 *per cent* whereas revenue receipts grew at an annual average growth rate of 6 *per cent*.

## Persistent savings

**1.4.** During the last five years, grant-wise details of persistent savings are detailed in ***Appendix-1***:

## Grant-in-aid from Government of India

**1.5.** Grants-in-aid from Government of India showed an increasing trend from 2016-17 to 2019-20. However, the grant-in-aid decreased during 2020-21 compared to the previous year as shown in table below:

**Table No. 1.2: Grant-in-aid received from Government of India[1]**

**(₹ in crore)**

| Sl. No. | Particulars | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|---|
| 1 | Non-Plan grants* | 7,045 | - | - | - | - |
| 2 | Grants for State Plan schemes* | 8,102 | - | - | - | - |
| 3 | Grants for Central plan schemes* | 116 | - | - | - | - |
| 4 | Grants for Centrally sponsored schemes | 440 | 11,617 | 10,393 | 12,214 | 9,852 |
| 5 | Other transfers/Grants to States | - | 7,316 | 11,714 | 17,593 | 14,667 |
| 6 | Finance Commission Grants | - | 2,708 | 3,374 | 4,673 | 5,557 |
| | **Total** | **15,703** | **21,641** | **25,481** | **34,480** | **30,076** |

*** There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grant/ CSS, Finance Commission grant and other grants to States.**
**Source: Finance Accounts**

## Authority for conducting Audit

**1.6.** Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971, give the Comptroller and Auditor General (C&AG) of India the authority for conducting audit. C&AG conducts audit of expenditure of the Departments of Government of Karnataka under Section 13[2] of the C&AG's

[1] This does not include devolution.

[2] Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts.

(DPC) Act. C&AG is the sole auditor in respect of Autonomous Bodies which are audited under Sections 19(2)[3], 19(3)[4] and 20(1)[5] of the C&AG's (DPC) Act. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2020 issued by the C&AG.

## Organisational structure of the Office of the Accountant General (Audit-II), Karnataka, Bengaluru

**1.7.** The State Offices of the C&AG of India were restructured (March 2020). based on allocation of clusters, each cluster containing Departments with inter-connected outcomes and linkages. The Accountant General (Audit-II) is responsible for audit of expenditure incurred by 19 Departments and 13 Autonomous Bodies **(*Appendix-2*)**. The Accountant General (Audit-II) is assisted by three Group Officers and various subordinate officers. Part-I of the report includes observations relating to Departments (excluding PSUs) under the jurisdiction of the Accountant General (Audit-II).

## Planning and conduct of Audit

**1.8.** Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. The frequency and extent of audit are decided based on risk assessment.

After completion of audit of each unit, Inspection Reports (IR) containing audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of the IRs. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of State under Article 151 of the Constitution of India to be tabled in the State Legislature.

## Significant audit observations and response to audit

**1.9.** Audit has reported significant deficiencies in implementation of various programmes/ activities through performance audits, as well as on the quality of internal controls in selected Departments, which impact the success of programmes and functioning of the Departments. Similarly, the deficiencies noticed during compliance audit of the Government Departments/ Organisations were also reported upon.

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[3] Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

[4] Audit of accounts of Corporations established by law made by the State Legislature on the request of the Governor.

[5] Audit of accounts of body/authority entrusted by Governor to C&AG on mutually agreed terms and conditions.

Nine paragraphs included in Part I of this report were forwarded demi-officially to the Addl. Chief Secretaries/ Principal Secretaries / Secretaries of the Departments concerned between January 2022 and April 2022 to send their responses within six weeks. Government replies are suitably incorporated in the Report.

## Responsiveness of Government to Audit

### *Outstanding Inspection Reports*

**1.10.1.** The Handbook of Instructions for Speedy Settlement of Audit Observations issued by the Finance Department in 2001 provides for prompt response by the Executive to the IRs issued by the Accountant General (AG) to ensure compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses, *etc*., noticed during the inspections. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the AG, who forwards a half yearly report of pending IRs to the Secretary of the Department to facilitate monitoring of the audit observations.

As on 31st March 2021, 2,159 IRs (11,068 paragraphs) were outstanding against all Departments. Age-wise details of pendency are given in table below:

**Table No. 1.3: Age-wise details of pendency of IRs and paragraphs**

| Sl. No. | Age | Number of IRs | Number of paragraphs |
|---|---|---|---|
| 1 | < 1 year | 117 | 1,244 |
| 2 | 1-2 years | 251 | 1,870 |
| 3 | 2-5 years | 642 | 4,044 |
| 4 | 5-10 years | 745 | 3,140 |
| 5 | >10 years | 404 | 770 |
| **Total** | | **2,159** | **11,068** |

A review of the pending IRs issued up to March 2021 showed that 117 IRs (1,244 paragraphs) were pending for less than one year, 1,638 IRs (9,054 paragraphs) were pending for more than one year but for less than 10 years and 404 IRs (770 paragraphs) were pending for more than 10 years. Year-wise and department-wise details of IRs and paragraphs outstanding are detailed in ***Appendix-3.***

### *Follow-up action on Audit Reports*

**1.10.2.** The Handbook and the Rules of Procedure (Internal Working), 1999 of the Public Accounts Committee provides for all the departments of Government to furnish detailed explanations in the form of Action Taken Notes (ATNs) to the audit observations which featured in Audit Reports, within four months of their being laid on the Table of Legislature.

The administrative departments did not comply with these instructions and eleven departments as detailed in ***Appendix-4*** did not submit ATNs for 78 paragraphs for the period 2003-04 to 2018-19 as of 31st March 2022.

***Paragraphs to be discussed by the Public Accounts Committee***

**1.10.3.** A review of the position of paragraphs pending discussion by the Public Accounts Committee as of 31st March 2022 showed that 120 paragraphs (including Performance Audits and Reviews) were yet to be discussed. Department-wise details of paragraphs (excluding General and Statistical) pending discussion by the Public Accounts Committee as of 31st March 2022 are detailed in ***Appendix-5*.**

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

**1.11.** The audit of accounts of 13 autonomous bodies in the State, under the jurisdiction of AG (AU-II) has been entrusted to the CAG. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and its placement in the Legislature is given in ***Appendix-2*.**

Delay in submission of annual accounts by the autonomous bodies ranged from three to 29 months as of June 2021. Delay in finalisation of accounts carried the risk of financial irregularities going undetected, and therefore, the accounts need to be finalised and submitted to Audit at the earliest.

# Chapter – II
# Compliance Audit Observations on Departments

CHAPTER-II

# 2. Compliance Audit Observations on Departments

## URBAN DEVELOPMENT DEPARTMENT

## BANGALORE DEVELOPMENT AUTHORITY

### *2.1. Execution of housing project*

**Improper execution of housing project at Kaniminike by Bangalore Development Authority resulted in unrealized revenue of ₹ 451.53 crore and wasteful expenditure of ₹ 27.24 crore apart from non-fulfilling the intended objective of providing houses for people belonging to economically weaker section.**

In order to provide affordable housing for the weaker sections of the society, Government of Karnataka allotted (June 2007) 326 Acre 18 Guntas of Government land at 17 different locations to Bangalore Development Authority (BDA) on payment of 50 *per cent* of guidance value, with a condition to utilize the land within three years. Accordingly, BDA remitted (August 2010) a sum of ₹ 40.65 crore and acquired 197.06 acres in nine villages[6] in Bengaluru Urban district. BDA launched affordable housing project during May 2012 to September 2018 in five phases at Kaniminike village, Kengeri Hobli on 50 Acres of land allotted by Government. Phase I to Phase IV of the Kaniminike housing project was financed out of the own funds of BDA.

Phase I of the project involved construction of 608 flats of one Bedroom/Hall/Kitchen (BHK) for Economically Weaker Section (EWS), 384 flats of two BHK for Low Income Group and 320 flats of three BHK for Middle Income Group. The work was awarded (May 2012) to a contractor at a cost of ₹ 166.32 crore with due date of completion by November 2013. However, the contractor completed (January 2015) foundation and structural work of one BHK block and only the foundation work of two and three BHK blocks. The electrical, sanitary and miscellaneous works, construction of compound wall etc were not carried out and the phase I of the project remained abandoned since January 2015. BDA terminated (April 2016) the work at the risk and cost of contractor after making payment amounting to ₹ 27.24 crore. After termination, BDA carried out (November 2016) joint measurement of the work with the contractor and took into custody material at site worth ₹ 0.91 crore which were stored in the basement of two BHK units.

The flats constructed under Phase II to IV (1068 Nos.) were completed (April 2017) at a cost of ₹ 244.97 crore. Despite phase I of the project remaining incomplete and having stock of 1068 unsold flats completed under Phase II to Phase IV, BDA launched (September 2016) Phase V of the project involving construction of additional 432 flats at a total cost of ₹ 184.94 crore. BDA also

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[6] Alur, Bettadasanapura, Doddabanahalli, Doddagubbi, Gunjur, Hunegere, Kaniminike, Kommaghatta and Kudurugere.

availed (January 2018) bank loan of ₹ 40 crore for Phase V of the project at interest rate varying from 7.85 to 9 *per cent* during the period 2018-21. Though the Phase V was completed (September 2018), BDA was yet (March 2022) to notify the flats for allotment, due to pending stock of flats completed under earlier phases.

Thus, at the end of December 2021, around 85 *per cent* of the flats constructed during Phase II to V remained unsold. The total estimated cost of the housing project at Kaniminike was ₹ 492.96 crore and the physical and financial details of the project as of December 2021 is indicated in the **Table** below:

**Table No. 2.1.1: Physical and Financial progress of housing project at Kaniminike as on 31 December 2021**

| Project phase | Number of flats planned | Number of flats constructed | Total expenditure (₹ in crore) | Number of flats allotted (%) | Selling price per flat (₹ in crore) | Amount to be realised on un-allotted flats (₹ in crore) |
|---|---|---|---|---|---|---|
| Phase-I* | 1312 | 0 | 27.24 | 0 (0) | 0.0000 | 0.00 |
| Phase-II | 672 | 672 | 130.52 | 174(26) | 0.2375 | 118.28 |
| Phase-III | 288 | 288 | 73.63 | 29 (10) | 0.2850 | 73.81 |
| Phase-IV | 108 | 108 | 40.82 | 21 (19) | 0.4000 | 34.80 |
| Phase V** | 432 | 432 | 184.94 | 0(0) | 0.5200 | 224.64 |
| **TOTAL** | **2812** | **1500** | **457.15** | **224(15)** | | **451.53** |

**(Source: Information furnished by BDA)**

*** The work of first phase was terminated during 2015**

****Phase V completed in September 2018 was yet to be notified for allotment.**

Planning, execution and publicity plays an important role for successful implementation of any housing project. On scrutiny of records, Audit observed (January 2021) the following deficiencies in planning and execution of the project:

i. BDA did not conduct any Demand Survey to assess the viability of the housing projects with the result that only 15 *per cent* (224 out of 1500) of the completed flats could be allotted. Further analysis revealed that percentage of allotment was four *per cent* (21 out of 540) for three BHK flats compared to 21 *per cent* (203 out of 960) for two BHK flats.

ii. As per the provisions of Bangalore Mahanagara Palike building byelaws, 2003, the minimum road width facing a high-rise building should be 12 metres and approach road was essential for housing units. However, the housing project was taken up without finalising an approach road to connect the project location to Mysuru main road. The construction of approach road could not be taken up due to land acquisition issues which were yet (March 2022) to be resolved. The absence of a proper approach road also contributed to the low demand for the housing units constructed.

iii. BDA was yet (March 2022) to initiate action to restart the work taken up under Phase I and recover the extra cost from the defaulting contractor. Joint Physical Verification conducted (December 2020) by audit with BDA officials revealed that the assets created under Phase I were left exposed to elements of nature and were prone to degradation and damage as the works remained abandoned for more than six years (pictures in ***Appendix - 6***).

iv. The site materials stocked were stolen as BDA failed to provide adequate security resulting in loss of ₹ 0.91 crore. Apart from lodging (July 2019) a complaint with the jurisdictional police station, BDA did not take any follow up action to fix responsibility and recover the loss.

Thus, the implementation of housing project without assessing the demand and non-provision of approach road resulted in piling up of stock of flats and consequent non-realisation of revenue to BDA to the extent of ₹ 451.53 crore for more than three years. Further, an amount of ₹ 27.24 crore spent on construction of Phase I of the project was wasteful as BDA did not take action to restart the work which remained incomplete since January 2015. The inaction of BDA in reviving Phase I of the project, wherein 608 out of 1312 flats were planned for EWS, defeated the intended objective of Government to provide affordable housing for weaker sections of the society.

The State Government in reply (March 2022) accepted that there was less demand for flats constructed under the project and advertisement through media and online allotment facility was provided to attract potential buyers. Further, it was stated that fresh tenders would be called for completing the works under Phase I of the project. The reply was silent regarding the progress in land acquisition for construction of approach road and fixing responsibility for the loss of construction materials at site.

***Recommendation:***

**Audit recommends that BDA should take up housing projects only after conducting proper demand survey and ensuring that basic infrastructure such as approach roads were provided.**

### *2.2.* Extension of undue favour to landowners

**Extension of land compensation benefits applicable for prevailing layouts to older layouts in disregard of the relevant rules/regulations and court orders resulted in undue favour to the landowners and additional financial liability to Bangalore Development Authority to the extent of ₹ 29.85 crore**

The acquisition of land by Bangalore Development Authority (BDA) was regulated by the provisions of Section 35 and 36 of BDA Act which provided for acquisition of land either by entering into an agreement with the owner of land or under provisions of Land Acquisition (LA) Act,1894, in so far as they were applicable.

Laying different principles of compensation for the acquired lands was not permissible. If land was acquired for the same purpose and were similar and identical, same market value was to be given for the land acquired[7].The provisions of LA Act, 1894 relating to lapsing of acquisition proceedings (Section 11A of the Act) would not be applicable to acquisitions initiated under the provisions of BDA Act[8]. Hence, Section 24 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (LA Act 2013) which was applicable in cases where acquisition proceedings had lapsed under Section 11 A of LA Act 1894 do not apply *suo moto* to proceedings initiated for acquisition of land under BDA Act[9].

BDA issued (September 2003) final notification to acquire 773 acres 18 guntas of land in Yeswanthpur Hobli, Bengaluru North Taluk for formation of "Further Extension of Sir M Vishweshwaraiah (SMV) layout". The land notified included 19 Acres of Government Gomala[10] land in Survey No.67 of Harohalli village.

Audit scrutiny (November 2020) revealed that the Government had granted (1956-57) eight acres out of the above 19 acres of Gomala land to four allottees at the rate of two acres each. During April 2001, the Special Deputy Commissioner (SDC), Bengaluru cancelled the above land grant on account of insufficiency of procedures and absence of requisite records. The grantees filed (June 2001) writ petitions challenging the order of SDC in the High Court of Karnataka which allowed the petitions and quashed (February 2006) the order of SDC. The High Court also directed SDC to conduct a fresh enquiry by giving sufficient opportunity to the petitioners to represent their case. The legal heirs of the grantees filed (December 2015) a memo before the Court of SDC for reopening the case after a gap of more than nine years and SDC after conducting detailed enquiry ordered (January 2016) to restore the Khata[11] of granted land in their favour. Based on the above order, the Revenue department restored (June 2017) the Khata of the land in favour of the legal heirs and corresponding alterations were made in revenue records.

In light of the court verdict, the landowners represented (June 2017) BDA to disburse the compensation amount for the eight acres acquired for the formation of "Further Extension of SMV Layout". The matter was referred to the BDA Board for taking final decision and the Board decided (December 2017) to grant developed land in the same layout in the ratio of 40:60 as per

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[7] Honourable Supreme Court Judgement dated January 2004 in "Union of India Vs Balram and another" and Karnataka High Court Judgement dated July 2012 in "D.Nagaraj Vs State of Karnataka"

[8] Honourable Supreme Court Judgement dated January 2011 in "Offshore Holdings Private Limited Vs BDA and others".

[9] Honourable Supreme Court in civil appeal filed by BDA Vs State of Karnataka and Others dated January 2022 and Karnataka High Court in the case of "BDA Vs Sri. L. Chandrasekhar" dated June 2021.

[10] Gomala land is Government land reserved for pasture of animals.

[11] The document that identifies the legal owner of a property who is liable to pay property tax.

the compensation scheme[12] followed in Nadaprabhu Kempegowda Layout (NPKL) which was developed during the year 2010. Based on the information provided by BDA and the details obtained from Sub-Registrar's Office, Audit observed that the landowners were allotted (March 2018 to March 2019) 77,832 square feet of developed land in SMV layout valuing ₹ 31.97[13] crore as compensation.

During the time of acquisition, the above eight acres were Government Gomala land as per revenue records and hence BDA took (December 2003) the possession of land without passing the award for compensation. Since the rights over the granted lands were restored to the owners during January 2016, the compensation applicable was to be fixed keeping in mind the applicable rules/regulations and various court orders. As per the above, the land grantees were neither eligible for compensation under LA Act 2013 nor alternate developed lands in the ratio of 40:60 applicable for newly formed layouts. They were eligible only for compensation fixed under the "Further Extension of SMV layout" which was ₹ 6.25 lakh/ acre along with 30 *per cent* solatium and applicable interest[14]. Commissioner BDA also proposed the above package to be implemented for consideration of the BDA Board. The eligible compensation for the land grantees worked out to ₹ 2.12 crore as detailed in Table below:

**Table No. 2.2.1: Calculation of compensation payable as on February 2018**

| Sl. No. | Particulars | Amount (₹ in crore) |
|---|---|---|
| 1 | Compensation payable at ₹ 6.25 lakh /acre for 8 Acres | 0.50 |
| 2 | 30 *per cent* Solatium | 0.15 |
| 3 | Additional value at 12 *per cent* from 08.04.2003 (date of Preliminary notification) to 05.12.2003 (Date of taking possession) | 0.039 |
| | **Total** | **0.69** |
| 4 | Interest at 9 *per cent* from December 2003 to November 2004 | 0.062 |
| 5 | Interest at 15 *per cent* from December 2004 to February 2018 | 1.37 |
| | **Total compensation payable till the date of allotment** | **2.12** |

**(Source: Land compensation records of BDA)**

The BDA Board disregarding the court orders/rules/regulations and the opinion of the Commissioner observed that LA Act 2013 was applicable in the extant case. However, considering the financial constraints of BDA, the Board decided to provide compensation in the form of developed sites under 40:60 scheme applicable for NPKL. Thus, the petitioners were allotted developed land to the extent of 77832 square feet valuing ₹ 31.97 crore as against the eligible land compensation fixed for "Further Extension of SMV layout"

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[12] 55 *per cent* of acquired land is considered as developed land and the balance is utilised for providing civic amenities, roads and parks. As per the agreement with landowners, BDA offered 40 *per cent* of developed land as compensation for formation of NPKL.

[13] At ₹4108/sqft based on consideration received by BDA for an intermediate site in SMV layout during June 2018.

[14] i) 12 *per cent* from April 2003 to December 2003;
ii) 9 *per cent* from December 2003 to December 2004;
iii) 15 *per cent* from December 2004 to February 2018.

amounting to ₹ 2.12 crore. The decision of the Board was discriminatory and violated the principles laid down by courts in similar cases, which resulted in undue benefit to the landowners and additional financial liability to BDA amounting to ₹ 29.85 crore.

The State Government replied (May 2022) that allotment of developed sites under 40:60 scheme was beneficial to BDA as the guidance value of the land acquired was ₹ 2.00 crore/Acre during 2018. The reply cannot be accepted as the landowners were eligible only for the compensation fixed for "Further Extension of SMV layout" under LA Act, 1894 which was ₹ 6.25 lakh/acre along with applicable solatium and interest.

***Recommendation:***

**Audit recommends that Government identify the persons responsible for causing loss to BDA and take action to prevent recurrence of such omissions.**

### *2.3. Irregular refund of initial deposit*

**Bangalore Development Authority (BDA) irregularly refunded initial deposit of ₹ 1.52 crore in violation of applicable rules resulting in extension of undue favour to the auction purchaser.**

Bangalore Development Authority (Disposal of Corner sites and Commercial sites) Rules, 1984 prescribes governing rules for the auction and disposal of corner, intermediate, commercial and other auction sites in accordance with the following provisions:

- Rule 3 states that whenever the authority has formed an extension of layout in pursuance of any scheme, the authority may, subject to the general or special orders of Government dispose of any or all such sites, in such extension or layout, by auction, in accordance with these rules.

- Rule 6(3) states that the auction purchaser whose bid is accepted shall deposit 25 *per cent* of the amount of his bid at once on the spot and pay the balance within 45 days from the date of receipt of intimation letter communicating the confirmation of sale, in default of which the deposit of 25 *per cent* made by such auction purchaser shall be liable to be forfeited to the Authority and the Authority shall be entitled to resell the site and in such an event of resale, the defaulting auction purchaser shall be liable to make good any loss suffered by the Authority on account of such resale.

- Rule 6(4) states that the Commissioner may grant extension of time not exceeding 210 days for depositing the balance of the bid amount, subject to condition that during such extended period, the auction purchaser shall also pay the balance of the bid amount with an interest thereon at 18 *per cent* per annum up to 90 days and at 21 *per cent* per annum thereafter up to 210 days with a penalty of rupees one hundred in each case. Failing such payment, the authority shall be entitled to forfeit the deposit made by the auction purchaser and resell the site at the risk and cost of the auction purchaser.

Audit observed (July 2020) that the site bearing No.97 of Chandra Layout extension (measuring 226.42 Sq mts) was included in the e-auction conducted by BDA during July 2019 which fetched a price of ₹ 2.69 lakh per square meter. The bid was accepted for a total amount of ₹ 6.09 crore and the auction purchaser deposited (Aug 2019) ₹ 1.52 crore as initial payment which was 25 *per cent* of the bid amount. BDA issued (Oct 2019) the auction confirmation letter to the auction purchaser duly stipulating the conditions of auction and instructed to pay the balance amount within 45 days.

However, the purchaser in his letter to BDA claimed (March 2020) that the site was under litigation and requested to refund the entire initial amount paid along with interest. The matter was referred to the Legal Cell of the BDA for verification of the litigation status who confirmed (March 2020) that there were no cases pending against the above auctioned site. In view of above legal confirmation, the auction purchaser was not entitled for refund of the initial deposit and had to pay the balance amount along with interest within the stipulated time for confirming the sale as per the Rule 6(3) and 6(4)) of BDA (Disposal of Corner sites and Commercial sites) Rules.

Disregarding the contradictory legal report and in violation of legal provisions, BDA refunded (March 2020) the deposited amount of ₹ 1.52 crore to the purchaser under the orders of the Commissioner, BDA. It is pertinent to note that, BDA had cancelled and forfeited the initial amounts paid[15] in similar cases during May 2020 in respect of auction of shops and commercial establishments.

Thus, the action of BDA in refunding the initial deposit amount under the request of the auction purchaser was in violation of applicable rules governing auction and disposal of sites. The refund of the initial deposit of ₹ 1.52 crore instead of its forfeiture was not only irregular but also amounted to extension of undue favour to the auction purchaser.

The State Government replied (March 2022) that the refund of the initial deposit was carried out on the basis of report from the engineer-in-charge which indicated that the site could not be handed over to the purchaser due to local disputes/encroachments. The reply cannot be accepted since BDA had obtained confirmation from legal cell that no court litigations were pending in respect of the above property. Further, BDA was responsible for clearing local disputes/encroachments and handing over the site to the purchaser.

***Recommendation*:**

**Audit recommends that BDA should fix responsibility for the irregular refund and consequential loss of revenue and scrupulously follow the rules prescribed for receipt/refund of deposits.**

[15] Three cases noticed where in the auction of Shop Nos.1, 3 and 6 of Valagerahalli Commercial Complex were cancelled due to non-deposit of balance 75 *per cent* amount by the auctioneers and the initial deposits were forfeited by BDA.

## Bangalore Water Supply and Sewerage Board

### *2.4. Avoidable expenditure on providing protective coating for sewage pipes*

**Providing polymer based protective coating to sewage pipes in addition to the economical corrosion control measures prescribed in Detailed Project Report and CPHEEO guidelines led to avoidable extra expenditure of ₹ 40.65 crore to Bengaluru Water Supply and Sewerage Board.**

Sewage contains the elements that contribute to sulphide[16] gas generation which has a corrosive effect on the sewers. In order to prevent sulphide gas generation, anaerobic conditions have to be avoided by maintaining the concentration of dissolved oxygen in the sewage. Central Public Health & Environmental Engineering Organization (CPHEEO) manual analysed the various factors influencing sulphide generation in sewers and suggested following measures to prevent generation of hydrogen sulphide gas.

- Maintenance of velocity of flow to keep the submerged surfaces of the sewer free from slimes.

- Provision of ample ventilation through ventilation shafts to carry away the gas generated

The CPHEEO manual further stipulated that protection of sewer structures by lining or coating against hydrogen sulphide attack may be considered only if other methods of control are impracticable.

Audit noticed (September 2018) that the Bengaluru Water Supply and Sewage Board (BWSSB) had taken up work of providing underground drainage facilities to erstwhile eight ULBs[17] under Karnataka Municipal Reforms Project (KMRP). The project taken up in 2010 was yet to be completed as of March 2021. The consultant of KMRP project in the Detailed Project Report (DPR) estimated the generation of hydrogen sulphide gas to be negligible or in very small quantity based on local characteristic conditions[18]. DPR also took note of the fact that trunk sewers laid by BWSSB in the past with erected ventilation shafts were functioning satisfactorily without any hydrogen sulphide gas corrosion. Hence, DPR suggested use of RCC NP-3 / NP-4 pipes with Sulphate Resistant Cement (SRC) which had adequate reinforcement to avoid corrosion and were durable and economical. The DPR also had provision for ventilation shaft at an opening of 500 metre connected to the nearest manhole for exhaust of hydrogen sulphide gas as suggested in the CPHEEO manual. Further, the sewers were also designed with slope required to maintain velocity of flow of sewage to prevent organic materials getting settled down resulting in anaerobic decay.

[16] The Hydrogen Sulphide gas ($H_2S$) is biochemically oxidized in the presence of moisture to form sulphuric acid which attacks concrete and steel within wastewater environments.
[17] Bommanahalli, Byatarayanapura, Dasarahalli, Mahadevapura, K. R. Puram, Kengeri, R. R Nagar and Yelahanka.
[18] Effective Bio-Oxygen Demand in Sewage, temperature, slope, velocity of sewage flow etc.

Audit observed that BWSSB adopted the corrosion protection measures prescribed in the DPR such as usage of SRC, provision for ventilation shaft and maintenance of velocity of flow of sewage. In addition, BWSSB made provision in the estimates for polymer based elastomeric protective coating inside the walls of pipes having diameter more than 400 mm. BWSSB had no records to substantiate the fact that the protective coating was essential and that the existing control measures were insufficient to prevent sulphide formation. BWSSB incurred (March 2015 to August 2018) additional expenditure of ₹ 40.65 crore for the above protective coating covering 2.99 lakh square metre pipe area in 21 different packages of KMRP (details in ***Appendix - 7***).

The inclusion of the item of work of polymer protective coating for pipelines above 400 mm diameter was in contravention of CPHEEO manual and the recommendations given by the consultant in DPR which resulted in avoidable extra expenditure of ₹ 40.65 crore. Audit conclusion was also strengthened by the fact that CPHEEO, while appraising the DPR of Cauvery Water Supply Scheme Stage V, categorically discouraged the usage of any coating in sewage pipes on account of economic factors.

The State Government replied (April 2022) that the provision for polymer protective coating was made in the estimates as per the instructions of World Bank which was the funding agency for KMRP works. The reply cannot be accepted as the DPR of the projects which were approved by World Bank did not provide for additional polymer protective coating and no specific instructions from World Bank for including the above item in the estimates were furnished to audit.

***Recommendation:***

**Audit recommends that BWSSB should fix accountability for incurring extra expenditure on works which were taken up without adequate justification.**

### *2.5. Irregularities in payment of outsourced employee wages*

**The failure of Bangalore Water Supply and Sewerage Board to monitor remittance of EPF and ESI contributions by the outsourcing agency led to short remittance of ₹ 32.11 crore. Further, lack of due diligence in calculation of service charge and gross wages to be paid to the agency resulted in excess payment of ₹ 5.14 crore.**

Rule 21 of Karnataka Minimum Wages Rules, 1958 prescribed that the minimum wages to be paid to contract employees would be fixed/revised by Government of Karnataka (GoK). The Employees' Provident Funds (EPF) and Miscellaneous Provisions Act, 1952 mandated that employee and the employer[19] contributed 12 *per cent* of the wages (Basic + Allowances) towards Employee Provident Fund Organisation (EPFO). The Employee State Insurance (ESI) Act, 1948 prescribed payment of employers' and employees' contribution

[19] The employer also contributed administrative charges at 0.65 *per cent* from 1 April 2017 to 31 May 2018 and at 0.50 *per cent* from 1 June 2018 along with 0.50 *per cent* towards Employee Deposit Linked Insurance Scheme (EDLIS).

at 3.25 *per cent* and 0.75 *per cent* respectively (reduced from 4.75 *per cent* and 1.75 *per cent* respectively with effect from 1 July 2019) to ESI Corporation.

The Bangalore Water Supply and Sewerage Board (BWSSB) responsible for sewage disposal and water supply to Bengaluru city awarded (March 2018)[20] the work of supplying outsourced manpower for posts of data entry operators/ valve operators/sanitary workers/helpers etc. to M/s. Navodaya Service Center (Agency) after due tender process. Initial agreement was for the period 2018-20 which was extended till 31 March 2022.

As per Section 30(3) of the EPF scheme guidelines, BWSSB being the principal employer, was responsible for payment of EPF contributions of outsourced employees and hence was required to monitor and satisfy the correctness of the remittance of the contributions by the Agency to EPFO.

As per clause 9 of the contract agreement, the Agency had to produce separate challans towards proof of remittance of EPF and ESI contributions in respect of the principal employer (BWSSB). Further, clause 10 of the contract agreement prescribed that the contribution paid to EPF and ESI needed to be verified by the Drawing and Disbursing Officer (DDO) of every billing division who should submit a declaration regarding the confirmation of remittances by the Agency which had to be further verified by the Chief Accounts Office (CAO).

Audit reviewed (February 2022) records related to payment of wages and remittance of statutory benefits in respect of the outsourced employees for the period 2018-21 and observed violations, viz, (i) Short remittance of EPF and ESI contributions by the Agency (ii) Excess payment of service charge to the Agency and (iii) Excess payment due to non-consideration of reduction in rate of employer contribution.

i) BWSSB paid minimum wages fixed by GoK along with employer contribution of EPF at 13.16[21] *per cent* and ESI at 4.75 *per cent* of the wages to the Agency towards outsourced salary. The Agency had to deduct employee contribution towards EPF at 12 *per cent* and ESI at 1.75 *per cent* of wages from the salary paid to outsourced employees. Thus, the Agency was liable to remit 25.16 *per cent* and 6.5 *per cent* of wages to EPFO and ESIC respectively for each outsourced employee.

   Audit calculated the EPF and ESI contribution payable by the Agency based on the gross amount paid each month for rendering outsourcing service. On comparison with the actual amounts remitted by the Agency to EPFO and ESIC, Audit observed that for the period April 2018 to March 2021, the Agency short remitted EPF and ESI contribution amounting to ₹ 24.83 crore and ₹ 7.28 crore respectively (Details in ***Appendix - 8***). Audit also obtained Electronic Challan-cum-Return

[20] The Agency was supplying manpower to BWSSB from September 2007, the audit scrutiny was restricted to the agreement entered with the Agency on March 2018.

[21] (12 per cent of Employer contribution, 0.50 per cent EDLIS contribution, 0.65 per cent EPFO Administrative charge, 0.01 per cent EDLIS administrative charges).

(ECR)[22] Form from EPFO to verify employee wise details of EPF contributions remitted. Scrutiny revealed that the Agency exhibited lower wages in the returns so that EPF contribution was proportionately reduced. For instance, though the wage paid by BWSSB for a Data Entry Operator was ₹ 18,059 during the year 2020-21, the wage reflected in ECR ranged from ₹ 4500 to ₹ 6000. Thus, the EPF and ESI contributions which were calculated on the decreased wages were also proportionally reduced resulting in their short remittance to the concerned statutory authorities.

The following internal control lapses in BWSSB facilitated the irregularity:

a. The Agency furnished consolidated challans which did not indicate separately the remittance of EPF and ESI contributions in respect of the outsourced employees of BWSSB.

b. The DDOs and CAO while passing the outsourced salary bills verified only the payment status of total contributions without checking the ECR returns which contained employee wise contribution details.

Thus, the failure of BWSSB to adhere to the contract conditions and monitor the payments of statutory contributions resulted in unauthorised retention of EPF and ESI contribution amounting to ₹ 24.83 crore and ₹ 7.28 crore respectively by the Agency depriving the legitimate benefits which were to be accrued to the outsourced employees.

ii) As per clause 22 of the agreement, Agency was entitled for 10 *per cen*t of the gross wages as service charge. The gross wages included the employee contribution of EPF and ESI at 12 *per cent* and 4.75 *per cent* respectively of the wages. Audit observed that while determining gross wages for calculating service charge, BWSSB added the employee contribution additionally to the total wages. Due to the above erroneous computation, the gross wages were inflated and the service charge calculated on the inflated gross wages resulted in excess payment to the Agency to the tune of ₹ 2.26 crore during the period from May 2018 to March 2021.

Audit also observed that BWSSB while making payments to the Agency failed to reduce the employee ESI contribution[23] which was erroneously added to the gross amount. Thus, amount equivalent to employee contribution towards ESI was paid in excess to the Agency totaling ₹ 2.88 crore during the period from May 2018 to March 2021 (Details of calculation indicated in ***Appendix - 9***).

[22] Electronic monthly return uploaded by employers containing employee wise details of wages and contributions.

[23] Employee EPF contribution was correctly deducted from the gross salary.

iii) Audit observed that BWSSB had been paying employer contribution of EPF at 13.16[24] *per cent* and ESI at 4.75 *per cent* of the wages. Due to reduction in administrative charges[25], the rate of employer contribution to EPF was reduced to 13 *per cent* with effect from 1 June 2018. Similarly, the rate of employer contribution towards ESI was reduced from 4.75 *per cent* to 3.25 *per cent* with effect from 1 July 2019. However, BWSSB did not consider the above reduction in rates, but continued to pay the contributions at the pre-revised rates resulting in excess payment to the Agency amounting to ₹ 1.82 crore. (₹ 0.25 crore towards EPF and ₹ 1.57 crore towards ESI). Details are furnished in ***Appendix - 10 and 11.***

The State Government replied (March 2022) that action was initiated to verify each employee's EPF and ESI contributions with the actual remittance by the Agency. It also stated that clarification for inclusion of employee contribution of EPF and ESI in gross wages for calculation of service charge would be sought from the labour advisor of BWSSB. BWSSB also recovered (March 2022) an amount of ₹ 1.82 crore from the Agency towards excess employer's contribution paid without considering the reduction in rates.

Thus, the failure of BWSSB to adhere to the contract conditions and monitor the payment of statutory contributions of EPF and ESI resulted in short remittance to the extent of ₹ 32.11 crore. The retention of statutory remittances amounted to illegal gratification by the Agency and denial of statutory benefits to the outsourced employees. Further, lack of due diligence by BWSSB in calculation of service charge and gross wages resulted in excess payment of ₹ 5.14 crore[26] to the Agency.

***Recommendation:***

**Audit recommends that BWSSB should take immediate action to reconcile the statutory contributions paid to the Agency with EPF and ESI records, recover the excess payments made to the agency due to erroneous calculation and fix responsibility on officials responsible for the lapses pointed out.**

## COMMERCE & INDUSTRIES DEPARTMENT

## Karnataka Industrial Areas Development Board

### *2.6. Undue benefit to contractors*

**Adoption of incorrect schedule of rates resulted in extension of undue benefit to the contractors by ₹ 2.04 crore.**

Karnataka Industrial Areas Development Board (the Board) is a statutory body created to promote, establish and develop industries and provide industrial

[24] 12 per cent of Employer contribution, 0.50 *per cent* EDLIS contribution, 0.65 *per cent* EPFO Administrative charge, 0.01 *per cent* EDLIS administrative charges.

[25] Administrative charges reduced from 0.65 to 0.5 *per cent*, 0.01 *per cent* EDLIS charges waived off.

[26] Excess service charge ₹ 2.26 crore and excess gross wages ₹ 2.88 crore.

infrastructural facilities and other amenities in industrial areas in the State. The Board adopts the Schedule of Rates of Karnataka Public Works Department (KPWD) for execution of infrastructural works (roads, bridges, culverts and buildings, *etc*). KPWD Schedule of Rates for Buildings (KSRB[27]), and Roads and Bridges (KSRRB[28]) were provided separately.

Audit test checked (November 2020) the contracts relating to formation of roads[29] awarded (5 works) during 2014-15 to 2018-19 for developing industrial layouts in four industrial areas[30] in Bengaluru Rural, Ramnagara and Dakshina Kannada Districts. Four out of the five works were completed during 2018-19 and 2020-21 and one work was in progress (April 2022). The works included excavation of earth in ordinary/hard soil for construction of RCC side drains, RCC storm water drain, Inspection chambers and Valve chambers.

Audit observed that KSRRB-300 specifically provided rates for excavation works for road, drains and similar works. However, the estimates for these works were prepared wrongly by adopting the rates as per KSRB (2-2.1, 2-2.2, 2-2.4) which were applicable for Buildings, instead of adopting KSRRB (300-1, 300-2, 300-6) of Volume-II of KPWD Schedule of Rates applicable to Roads and Bridges. As the works were related to formation of roads and also the rates for the said works were provided in KSRRB, adopting Schedule of Rates applicable to Buildings was not in order. This resulted in extension of undue benefit to contractors by ₹ 2.04 crore (refer ***Appendix - 12***) as the rates admitted for the said item of works as per KSRB were higher than that provided in KSRRB.

The Government stated (May 2022) that the rates as per KSRB were adopted only for the works of RCC drain and Inspection/Valve Chambers where the sub-items of water supply and sanitary lines were executed.

The reply is silent on the reasons for not adopting rates specified as per KSRRB-300 which specifically provided rates for excavation works for road, drains and similar works. Thus, the action of the Board points to the fact that there was no control mechanism in place to ensure that the estimates were prepared and the payments were made in accordance with the applicable schedule of rates, which led to avoidable extra expenditure and extension of undue benefit to contractors by ₹ 2.04 crore.

***Recommendation:***

**Audit recommends that the Board may fix the responsibility for preparation of estimates adopting incorrect schedule of rates which caused avoidable extra expenditure. The appropriate controls may be instituted to ensure estimates are prepared with the applicable schedule of rates.**

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[27] Karnataka Standard Rate Analysis for Buildings.

[28] Karnataka Standard Rate Analysis for Roads and Bridges.

[29] **Name of the Work**: Formation of (18M/24M/30M/32M/45M) wide roads including asphalting, construction of RCC side drains, RCC cross drainage works, RCC storm water drain and HDPE water supply pipe line.

[30] 1) Avverahalli Industrial area of Nelamangala Taluk, 2) Harohalli Industrial Area 3rd Phase of Kanakapura Taluk, 3) Plot Nos. 4, 5, & 6 Hi-Tech, Defense and Aerospace Park of Devanahalli, and 4) Mudipu main road to Canara Industrial Area 1st phase.

## Commerce & Industries Department

### *2.7. Irregular release of grant*

**Release of the grant of ₹ 1.01 crore to Moodalakatte Institute of Technology, Kundapura under Suvarna Kayaka Koushalyabhivridhi Yojane without any formal agreement and security was in violation of scheme guidelines.**

The scheme of Suvarna Kayaka Koushalyabhivridhi Yojane (the Scheme), which was promulgated under the Industrial Policy 2006-11 (revised during 2014-19) of Government of Karnataka (GoK), was aimed at (i) self-sustainability of unemployed youth in rural and urban areas; (ii) socio-economic development by creating employment opportunities through skill development; and (iii) providing required manpower to the industries through imparting modern skill training to unemployed youth. The Scheme guidelines[31] envisaged sanction of grant upto 75 *per cent* of the cost of machineries/equipment required for the training centre, subject to maximum of ₹ 200 lakh for the existing non-government training institutes/industrial associations/large scale industries in private sector which were in possession of suitable building for imparting training.

The amount to the extent of 75 *per cent* of the sanctioned grant was to be released after obtaining Registered Mortgage Deed of the building owned by the project proponent in favour of the Department for a period of ten years. The remaining 25 *per cent* of the sanctioned grant was to be released after purchase and installation of the machinery. Further, as per the operational guidelines of the Scheme, the project proponent was required to enter into a Memorandum of Understanding (MoU) with the Department and furnish bank guarantee equivalent to value of the grant released. In the event of failure to establish the training centre within the time specified in MoU, the entire grant along with interest at the rate indicated in MoU was to be refunded to the Department and in case of default, bank guarantee was to be invoked.

Audit observed (February 2021) that the Department of Industries and Commerce (the Department) released the grant of ₹ 1.01 crore to an applicant in violation of conditions stipulated in the Scheme/operational guidelines as discussed below.

The Moodalakatte Institute of Technology (MIT), a registered trust running an Engineering College in Moodalakatte in Kundapura taluk of Udupi Distirct, submitted (February 2017) its application seeking grant under the Scheme to set up a Skill Training Centre with an estimated total project cost of ₹ 6.55 crore. The project cost included ₹ 3.17 crore towards purchase of machinery required for the training centre. The proposals were considered by the Selection Committee[32] and recommended (December 2017) for sanctioning a total grant of ₹ 1.58 crore, being 50 *per cent* of the cost of the machinery. Accordingly,

[31] As per the Industrial Policy 2014-19 issued in December 2014.

[32] A State Level Committee headed by the Commissioner and Director of the Department of Industries and Commerce was constituted for selection of agencies and monitoring effective implementation of the scheme.

the Department sanctioned (February 2018) a grant of ₹ 1.58 crore and released (March 2018) first instalment of ₹ 1.01 crore to MIT. The sanction/release order stipulated refund of grant along with interest at the rate of 6 *per cent* per annum in case of failure to establish training centre within the specified time as per the MoU and encashment of bank guarantee in the event of default in refund. A separate bank account in the name of training centre was also required to be opened by MIT.

Audit observed that the Commissioner (Industrial Development) and Director of Commerce and Industries Department released (March 2018) the grant of ₹ 1.01 crore to MIT towards first instalment. However, there was no evidence on record in support of entering into MoU with the MIT, obtaining registered mortgage of the building and collecting bank guarantee equivalent to the grant released. Also, there was nothing on record that separate bank account in the name of training centre was opened by MIT.

Audit further observed that the MIT did not establish the training centre till date (March 2022), *i.e.* even after lapse of four years from the date of release of grant, yet the Department had not taken any action to recover the amount, except addressing letters to MIT requesting (June 2020/April 2021) to submit the required documents (MoU, Mortgage deed, Bank guarantee, bills against purchase of machinery, *etc*).

Therefore, the action of the Commissioner (Industrial Development) and Director releasing (March 2018) the grant without ensuring fulfilment of conditions attached to sanction and that stipulated in the scheme guidelines, amounted to irregular release of grant and extension of undue benefit to MIT. Thus, the Department allowed a private institution to misutilise the Government funds to the tune of ₹ 1.01 crore, which warranted fixing of responsibility on the officers/officials concerned.

The Government stated (March 2022) that the amount was released without getting mortgage of the building from the institution. It was also stated that repeated correspondences were made to the institution since 2018 to submit the documents as per the guidelines and to remit the amount with interest. However, the reply is silent on the circumstances under which the amount was released in violation of scheme guidelines and the course of action proposed for recovery of the amount from MIT.

***Recommendation:***

**Audit recommends fixing of responsibility on the officers/officials concerned for releasing the grant violating the conditions attached to the sanction and initiate recovery of the amount.**

**PUBLIC WORKS DEPARTMENT**

### *2.8. Overpayment to the Contractor*

**Contractor carried out excavation in soft rock by mechanical method but was paid rate as applicable to manual method resulting in excess payment of ₹ 1.56 crore which was irregular**.

The excavation in ordinary/soft rock can be done by manually, mechanically or by use of explosives and a specific method is chosen in construction works after taking several factors into consideration i.e., location of the project, quantum of excavation involved or dimension of area to be excavated[33]. The Schedule of Rates contains rates for each type of excavation. The manual method is adopted in case quantity involved would be meagre or where machinery cannot be deployed or blasting cannot be undertaken owing to safety issues.

In the work of construction of additional accommodation in Kumarakrupa Guest House, Bengaluru, awarded (March 2015) to M/s. Shirke Construction Private Limited, by the Executive Engineer (EE), No.1 Building Division, Bengaluru for ₹ 70.49[34] crore, provision for excavation for foundation in all kinds of strata was 16084.22 cum in the tender. The location of the building was slightly shifted as per the revised drawings furnished (2016) by the Chief Architect which necessitated ascertaining and reconfirming the safe bearing capacity (SBC) of the soil while the work was in progress. The depth of excavation had to be increased to get the desired SBC and soft rock was encountered during excavation for foundation. The excavation in soft rock was treated as an "extra item" and the rate of ₹ 1093.89 per cum (manual rate) was approved by the Chief Engineer, Building Division as the item was not provided in the tender. The Agency was paid in excess of ₹ 1.56 crore for the quantity of 16084.22 cum of soft rock excavated.

Audit scrutiny (October 2020) of records revealed that manual rate paid for excavation in soft rock was not admissible for the following reasons:

1. Audit noticed that the Contractor had carried out excavation in soft rock using mechanical breakers and the AEE in charge of the work had taken photographs (December 2015) while the work was in progress.

2. Chief Engineer inspected (11th March 2016) the site and observed that the soft rock and hard rock boulders were sandwiched between the soil. The CE instructed to get the classification of the rock from Quality Assurance wing of the PWD. The EE, Quality Assurance Division, Bengaluru visited the site on 14th March 2016 and after visual examination classified the strata as soft rock.

3. Paragraph 184 (7 & 8) of KPWD Code, 2014 stipulates that the Supplemental Estimate must be prepared for "extra items" based on rate as per Schedule of Rates prevailing at the time of ordering the execution

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[33] Paragraph 7.6.1 of Chapter 1 of T.G. Radhakrishna Committee Report – committee constituted (August 1999) by Government for preparation of specification and rate analysis for buildings, roads and bridges.

[34] Revised amount is ₹ 99.45 crore.

of work but the same was not done in this case. The EE submitted (March 2016) the Supplemental Estimate three months after commencement of excavation of soft rock and instead of adopting the rate for excavation in soft rock by mechanical means (₹ 126.60/ cum[35]) adopted the rate as applicable to the manual method (₹ 1093.89/cum) which was irregular as the Contractor had employed mechanical means for excavation of the soft rock. The incorrect adoption of rate had resulted in overpayment to the Contractor.

The Government while admitting that ordinary rock is soft rock replied (February 2021) that:

1. The observation that excavation had been done by mechanical means was not based on facts and soft rock was encountered during execution of work which was not provided for in the tender.

2. Due to existence of buildings nearby the excavation could not be done using explosives. Hence, the rate for excavation of the soft rock by chiselling and wedging was adopted for the extra item after obtaining certificate from the Quality Assurance Division, Bengaluru about the nature of rock.

3. The machineries were used for loading the excavated materials. Audit comparison of soft rock as being similar to ordinary rock had been done without taking into consideration the observation of the Chief Engineer and EE, QA division.

The reply is not tenable for the following reasons:

The Sub-divisional Officer directly in charge of the work had certified the method adopted by the Contractor i.e., excavation in soft rock using mechanical breakers.

The EE, QA during his inspection had only stated that soft rock could be quarried or split with crow bars and also that any rock which in dry state may be hard requiring blasting when wet, becomes soft and manageable by means other than blasting. In other words, the EE, QA had merely stated the three methods through which excavation in soft rock could be done and did not instruct/state that excavation in soft rock should be done by manual means in the instant case. The charges towards loading and haulage by using machineries were included in the rate payable and were not objected in Audit.

Thus, the rate paid (₹ 1093.89 per cum) was higher than admissible (₹ 126.60 per cum) which had resulted in overpayment of ₹ 1.56[36] crore to the Contractor.

[35] Basic rate = ₹ 53/cum (item No.2.23.2 page 7 of SR rates) + extra lead of Rs 48.64 cum (for 19 Kms as 1 km lead is included in the basic rate) + 6% area weightage (₹ 6.10) and tender premium of 17.51% (₹18.86) - loading and unloading charges not payable as loading and unloading charges are in-built in the mechanical excavation rate.

[36] 16084.22 cum × ₹ (1093.89-126.6=967.29)/cum = ₹ 1,55,58,105.

***Recommendation:***

**Audit recommends that the excess payment needs to be recovered and Government may consider fixing up of responsibility for making irregular payment.**

## TRANSPORT DEPARTMENT

### *2.9. Short recovery of tax*

**Incorrect classification of recovery vehicles and non-levy of quarterly tax as per KMV Rules led to short levy of LTT and quarterly tax aggregating ₹ 97.66 lakh.**

The Provisions of the Karnataka Motor Vehicles Taxation (KMVT) Act 1957 and Rules made thereunder govern the levy and collection of taxes on motor vehicles. The observations on short recovery of Karnataka Motor Vehicle Tax noticed during audit of three Regional Transport Offices (RTOs)/ Assistant Regional Transport Offices (ARTOs) are brought out as detailed below.

#### 2.9.1. Short levy of tax due to incorrect classification

As per Government of Karnataka, Transport Department Motor Vehicle Taxation Schedule amended up to March 2020 PART A5 (Section 3 (1) and Part A7), Life-Time Tax (LTT) on non-transport vehicles and construction equipment vehicles was leviable at the rate of 18 *per cent* and six *per cent* respectively on the invoice price of the vehicles. As per GOI Notification dated 5 November 2004, the tow trucks, breakdown vans and recovery vehicles are classified as non-transport vehicles and hence attract 18 *per cent* LTT.

On test check of records (July 2021) at RTO, Shantinagar, Bengaluru during 2020-21, it was noticed that LTT at six *per cent* was levied on the invoice price instead of 18 *per cent* applicable at the time of procurement of three recovery vehicles by KSRTC. The LTT at six *per cent* was levied by RTO, Shantinagar, Bengaluru despite that there was no ambiguity in rules. Thus, incorrect classification of vehicles resulted in short levy of LTT of ₹ 15.18 lakh as shown in ***Appendix-13 A***.

On this being brought to notice (July 2021), the RTO, Shantinagar, Bengaluru agreed for recovery of differential amount and details of recovery would be intimated. However, Government in response (May 2022) to audit observation communicated (December 2021) stated that LTT at six *per cent* as applicable to construction equipment vehicles was levied as there is no classification for Tow Trucks/HMV/crane mounted vehicles.

The reply is not tenable as recovery vehicles are non-transport vehicles as per GOI Notification and hence attracts 18 *per cent* tax. Further, if there was no classification for recovery vehicle for the purpose of taxation, the same should have been introduced by the State Government under KMVT Act, which has not been done so far.

### 2.9.2. Short assessment of quarterly tax

As per Rule 151(2) of KMV Rules, 1989 the seating capacity of a vehicle shall be directly proportional to the wheelbase of the vehicle and minimum seating capacity has been prescribed for buses which ranged from 35 to 50 with wheelbase from 4080 mm to 5340 mm. As per taxation schedule issued under KMVT Act, for every seated passenger, the quarterly tax payable is ₹ 900 for vehicles permitted to carry more than 12 passengers.

On test check of records (between August and November 2021) relating to registration of 143 buses registered during the period 2018-19 to 2020-21 at ARTO, Bantwal, (12 buses) and RTO, Mangalore (131 buses), audit noticed that the assessment of quarterly tax was not done as per Rule 151 (2) of KMVT Rules, 1989. The tax was levied and collected for the modified seating capacity which was lower than the minimum seating capacity stipulated in schedule. The short levy of quarterly tax aggregated to ₹ 82.48 lakh[37] as shown in ***Appendix – 13 B***.

After these cases were referred to Government in January 2022, Government replied (May 2022) that after 15 September 2018, the new Transport Vehicles have to be registered as per the Rule 125-C of CMV Rules 1989. It was also stated that both 151(2) of KMV Rule 1989 and 125-C of CMV Rules 1989 are applicable for the subject. However, CMV Rules will prevail over the KMV Rule.

The reply is not acceptable as quarterly tax for minimum seating capacity with reference to wheelbase has been prescribed in KMV Rules and amendment to the Rules for levying quarterly tax to confirm with AIS norms as specified in the CMV Rules to remove contradiction.

The incorrect application of rules has thus resulted in short recovery of Lifetime Tax /Quarterly Tax to an extent of ₹ 97.66 lakh in the above-mentioned cases.

***Recommendation:***

**Audit recommends that the Department may review similar cases in other RTOs/ARTOs to realise the revenue.**

[37] 12 buses in respect of ARTO, Bantwal and 100 buses in respect of RTO, Mangalore. As against tax (including cess) leviable of ₹ 1.25 crore, tax levied was only ₹ 42.04 lakh.

# PART - II

# Chapter - I

# Introduction

## 1. Functioning of State Public Sector Undertakings

### General

**1.1.** The State Public Sector Undertakings (PSUs) in Karnataka consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and also occupy an important place in the State's economy. As on 31 March 2021, there were 124 PSUs in Karnataka including six Statutory Corporations and 13 non-working Government companies under the audit jurisdiction of the Comptroller and Auditor General of India. Of these, one PSU[38] was listed on the stock exchange. Four PSUs[39] newly incorporated/entrusted for audit as on 31 March 2021, have been added. The list of 124 PSUs is given in ***Appendix-14***.

**1.2.** The financial performance of the PSUs on the basis of their latest finalised accounts as on 30 November 2021[40] is covered in this report. The details of the nature of PSUs and the position of finalisation of accounts are given below:

**Table No.1: Nature of PSUs covered in the Report**

| Sl. No. | Type of PSUs | No. of PSUs | No. of PSUs for which accounts received during the reporting period[41] | | | | No. of PSUs for which accounts were in arrears (total no. of accounts in arrears) as on 30 November 2021 |
|---|---|---|---|---|---|---|---|
| | | | 2020-21 | 2019-20 | 2018-19 and prior | Total | |
| 1 | Working Government Companies | 105 | 38 | 20 | 7 | 65 | 64(101) |
| 2 | Statutory Corporations | 6 | - | 6 | - | 6 | 6 (6) |
| **Total no. of working PSUs** | | **111** | **38** | **26** | **7** | **71** | 70(107) [42] |
| 3 | Non-working Government Companies | 13 | 5 | 1 | 1 | 7 | 8 (79[43]) |
| **Total no. of PSUs (working+non-working)** | | **124** | **43** | **27** | **8[44]** | **78** | **78 (186)** |

[38] The Mysore Paper Mills Limited.

[39] Bengaluru Integrated Rail Infrastructure Development Enterprises Limited (B-RIDE), Karnataka Veerashaiva Lingayath Development Corporation Limited (KVLDCL) International Flower Auction Bengaluru Limited (IFABL) and Karnataka State Medical Supplies Corporation Limited (KSMSC).

[40] Date of holding Annual General Meeting (AGM) of PSUs for the financial year 2020-21 was extended upto 30 November 2021 by the Registrar of Companies, Bengaluru *vide* its order dated 23rd September 2021.

[41] From January 2021 to November 2021.

[42] Includes 56 PSUs which did not finalise accounts for 2020-21 and 14 PSUs which have arrears of 51 accounts (related to 2020-21 and prior periods).

[43] Includes 68 accounts from four PSUs which are under liquidation (KSVL, MCL, KTL and MACCL).

[44] Includes one non-working PSU (NGEF) for 2018-19, two working PSUs (KUDCL and LIDKAR) for 2018-19, one working PSU (KSSKDCL) for 2017-18, one working PSU (KMDC) for 2016-17, one working PSU (KSCCL) for 2015-16 and two working PSUs (MPM and KVTSDCL) for 2014-15.

The working PSUs which had arrears of accounts include eight PSUs with arrears ranging from three to seven years (DDUTTL, KSSKDCL, KMDC, KSAWDCL, MPM, KSCCL, KVTSDCL and MYSUGAR). Further, four non-working PSUs (KSVL, MCL, KTL and MACCL) had arrears ranging from 16 to 18 years. The working PSUs registered a turnover of ₹ 77,607.61 crore as per their latest finalised accounts as of November 2021. This turnover was equal to 4.66 *per cent* of the State Gross Domestic Product (GDP) for 2020-21 (*i.e.* ₹ 16,65,320 crore). The working PSUs incurred net aggregate loss of ₹ 5,137.65 crore as per their latest finalised accounts as of November 2021. At the end of March 2021, the PSUs had 2.01 lakh employees.

As on 31 March 2021, 13 PSUs having an investment of ₹ 670.18 crore were non-working for the last 18 years. This was a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

## Accountability framework

**1.3.** The process of audit of Government Companies is governed by respective provisions of Section 619 of the Companies Act, 1956, and Sections 139 and 143 of the Companies Act, 2013 (Act). According to Section 2(45) of the Act, a Government Company means any Company in which not less than fifty-one *per cent* of the paid up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a Company, which is a subsidiary Company of such Government Company.

The Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within sixty days from the date of registration of the Company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-section 7 of Section 143 of the Act, the CAG may, in case of any Company covered under sub-section (5) or sub-section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company. The provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test audit. Thus, a Government Company or any other Company, owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. Audit of the Financial Statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

***Statutory Audit***

**1.4.** The financial statements of the Government Companies are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Sections 139(5) or 139(7) of the Act. Thereafter, a copy of the Audit Report is submitted to the CAG under Section 143(5) of the Act, which, among other things, includes the Financial Statements of the Company. These financial statements are subject to supplementary audit to be conducted by the CAG within sixty days from the date of receipt of the Audit Report under the provisions of Section 143(6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations. Out of the six Statutory Corporations in Karnataka, the CAG is the sole auditor for four State Road Transport Corporations[45]. In respect of State Warehousing Corporation and State Financial Corporation, the audit is conducted by Chartered Accountants while the Supplementary Audit is conducted by the CAG.

## Submission of accounts by PSUs

***Need for timely finalisation and submission***

**1.5.** According to Section 394 and 395 of the Companies Act 2013, an Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for noncompliance with the provisions of Section 129 of the Companies Act, 2013.

[45] Karnataka State Road Transport Corporation (KSRTC), Bangalore Metropolitan Transport Corporation (BMTC), Kalyana Karnataka Road Transport Corporation (KKRTC) (previously North Eastern Karnataka Road Transport Corporation) and North Western Karnataka Road Transport Corporation (NWKRTC).

### *Role of Government and Legislature*

**1.6.** The State Government exercises control over the affairs of these PSUs through their administrative departments. The Chief Executives and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investments in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Report and Comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are placed before the Legislature under Section 394(2) and/or 395 of the Act or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Power and Conditions of Service) Act, 1971.

## Investment in State PSUs

**1.7.** The Government of Karnataka (GoK) has a financial stake in these PSUs. This stake is of mainly three types:

- **Share capital and loans** – GoK provides Share Capital Contribution and financial assistance by way of loans to the PSUs from time to time;
- **Special financial support** – GoK provides budgetary support by way of grants and subsidies to the PSUs as and when required; and
- **Guarantees** – GoK also guarantees the repayment (with interest) of loans availed by the PSUs from financial institutions.

**1.8.** As on 31 March 2021, the investment (capital and long-term loans) in 124 PSUs was ₹ 1,85,804.43 crore[46] as per details given below:

**Table No.2: Total Investment in PSUs**

**(₹ in crore)**

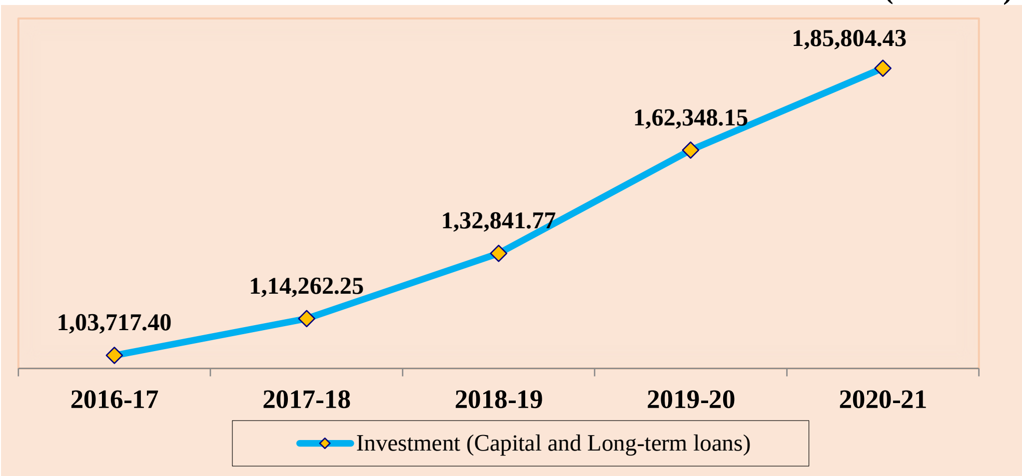
| Sl. No. | Type of PSUs | Government Companies | | | Statutory Corporations | | | Grand total |
|---|---|---|---|---|---|---|---|---|
| | | Capital | Long term loans | Total | Capital | Long term loans | Total | |
| 1 | Working PSUs | 88,524.14 | 91,059.38 | 179,583.52 | 1,883.46 | 3,667.27 | 5,550.73 | 1,85,134.25 |
| 2 | Non-working PSUs | 160.21 | 509.97 | 670.18 | - | - | - | 670.18 |
| | **Total** | **88,684.35** | **91,569.35** | **180,253.70** | **1,883.46** | **3,667.27** | **5,550.73** | **1,85,804.43** |

As on 31 March 2021, of the total investment in State PSUs, 99.64 *per cent* was in working PSUs and the remaining 0.36 *per cent* in non-working PSUs. This total investment consisted of 48.74 *per cent* towards capital and 51.26 *per cent* in long-term loans. The investment grew by 79.14 *per cent* from ₹ 1,03,717.40 crore in 2016-17 to ₹ 1,85,804.43 crore in 2020-21 as shown in the Chart below:

[46] As twenty seven PSUs did not furnish information on investments as at the end of March 2021, the information as furnished during previous years/as per latest finalised accounts has been considered.

**Chart No.1: Total investment in PSUs**

**(₹ in crore)**




**1.9.** The sector-wise summary of investments in the State PSUs as on 31 March 2021 is given below:

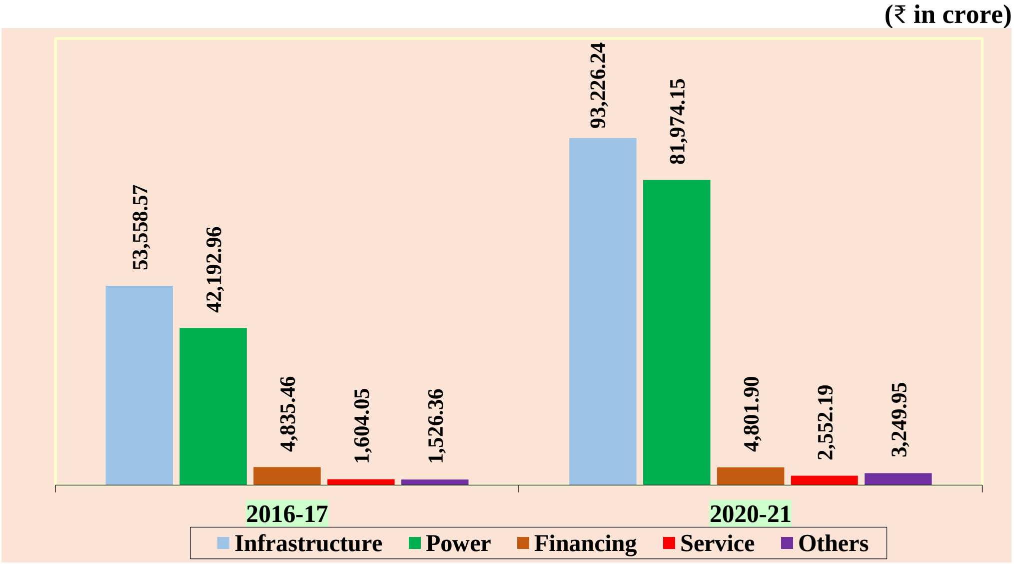
**Table No.3: Sector-wise investment in PSUs**

| Sl. No. | Name of the Sector | Government companies | | Statutory Corporations | Total | Investment (₹ in crore) |
|---|---|---|---|---|---|---|
| | | Working | Non-working | | | |
| 1 | Agriculture and allied | 14 | 5 | 1 | 20 | 1,053.34 |
| 2 | Financing | 25 | - | 1 | 26 | 4,801.90 |
| 3 | Infrastructure | 25 | 1 | - | 26 | 93,226.24 |
| 4 | Manufacturing | 19 | 7 | - | 26 | 2,186.54 |
| 5 | Power | 11 | - | - | 11 | 81,974.15 |
| 6 | Service | 6 | - | 4 | 10 | 2,552.19 |
| 7 | Miscellaneous | 5 | - | - | 5 | 10.07 |
| | **Total** | **105** | **13** | **6** | **124** | **1,85,804.43** |

The investment in four significant sectors at the end of 31 March 2017 and 31 March 2021 are indicated in the Chart below:

**Chart No.2: Sector-wise investment in PSUs**

**(₹ in crore)**



The thrust of investments in PSUs was in Infrastructure and Power sectors, accounting for 50.17 *per cent* and 44.12 *per cent* respectively in 2020-21. Between 2016-17 and 2020-21, the investment in Infrastructure and Power sectors increased by ₹ 39,667.67 crore and ₹ 39,781.19 crore respectively.

## Submission of accounts by PSUs

**1.10.** The financial statements of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year, *i.e.* by end of September[47], in accordance with the provisions of Section 96(1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

The following table provides the details of progress made by working PSUs in finalisation of accounts by 30 November 2021[48]:

**Table No. 4**: **Position relating to finalisation of accounts of working PSUs**

| Sl. No. | Particulars | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|---|
| 1 | Number of working PSUs | 90 | 94 | 101 | 107 | 111 |
| 2 | Total number of accounts finalised during the year | 72 | 83 | 106 | 110 | 76 |
| 3 | Number of accounts finalised relating to current year | 30 | 32 | 49 | 61 | 38 |
| 4 | Number of accounts finalised relating to previous years | 42 | 51 | 57 | 49 | 38 |
| 5 | Number of accounts in arrears | 75 | 81 | 80 | 76 | 107 |
| 6 | Number of working PSUs with arrears in accounts | 59 | 62 | 52 | 45 | 70 |
| 7 | Extent of arrears (number in years) | 1 to 4 years | 1 to 5 years | 1 to 6 years | 1 to 6 years | 1 to 7 years |

During the year, 76 accounts pertaining to 71 PSUs were finalised, which included six accounts of six Statutory Corporations. The number of accounts in arrears increased from 75 (2016-17) to 107 (2020-21). Of the 107 arrears of accounts, 101 accounts pertained to the working Government Companies, which were in arrears ranging between one and seven years and six accounts pertaining to six Statutory Corporations, which were in arrears for one year.

The Administrative Departments have the responsibility to oversee the activities of these PSUs and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The PAG/AG had periodically taken up the

[47] For the Financial Year 2020-21, due date extended upto 30 November 2021 by Registrar of Companies, Bengaluru *vide* order dated 23rd September 2021.
[48] The progress for the financial years 2016-17 to 2018-19 was as on 30th September of the respective years and for financial year 2019-20 it was as on 31.12.2020.

matter with the State Government/Administrative Departments concerned for liquidating the arrears of accounts.

**1.11.** The State Government made net investment of ₹ 18,319.38 crore in 36 out of 70 PSUs during the years, for which accounts were not finalised. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred were properly accounted for and the purpose for which the amount was invested was achieved or not. Thus, the Government's investment in such PSUs remained outside the control of the State Legislature.

**1.12.** There were arrears in finalisation of accounts by non-working PSUs. Out of 13 non-working PSUs, four[49] were in the process of liquidation whose accounts were in arrears for sixteen to eighteen years. Of the remaining nine non-working PSUs, five[50] PSUs had no arrears of accounts and four PSUs (NGEF, BSRCL, MLW and MMCL) has arrears of two years (NGEF), seven years (BSRCL) and one year (MLW and MMCL). The position relating to arrears in finalization of accounts of non-working PSUs is given in the following table:

**Table No.5**: **Position relating to arrears in finalisation of accounts of non-working PSUs**

| Sl. No. | No. of non-working companies | Period for which accounts were in arrears | No. of years for which accounts were in arrears |
|---|---|---|---|
| 1 | 2 | 2020-21 | 01 |
| 2 | 1 | 2019-20 to 2020-21 | 02 |
| 3 | 1 | 2014-15 to 2020-21 | 07 |
| 4 | 1 | 2005-06 to 2020-21 | 16 |
| 5 | 2 | 2004-05 to 2020-21 | 17 |
| 6 | 1 | 2003-04 to 2020-21 | 18 |

## Performance of PSUs as per their latest finalised accounts

**1.13.** The overall profit (losses)[51] earned (incurred) by the working PSUs of the State during 2016-17 to 2020-21 as per their latest finalised accounts as of 30 November 2021 are given in the following bar chart:

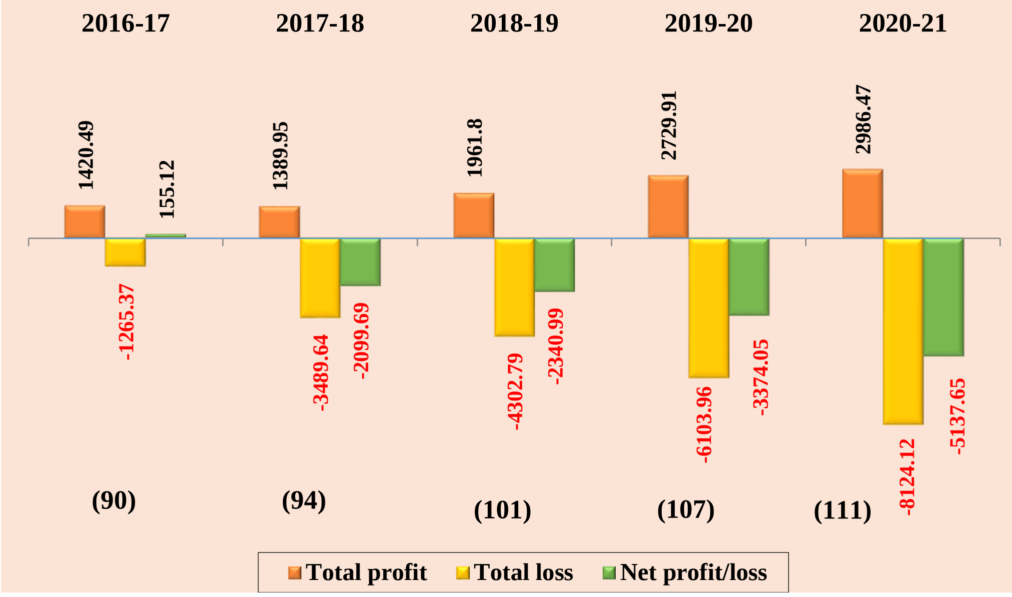
[49] KSVL, MCL, KTL and MACCL.

[50] KAIC, MTC, KPL, VSL and MCT.

[51] Profit/Losses during 2017-18, 2018-19, 2019-20 and 2020-21 were arrived at after considering Other Comprehensive Income (OCI).

**Chart No. 3: Profit/Loss of working PSUs**

**(₹ in crore)**




**(Figures in brackets show the number of working PSUs in the respective years)**

As per their latest finalised accounts, out of the 124 PSUs, 111 PSUs are working and 13 PSUs non-working. Out of 111 working PSUs, 47 PSUs earned profit of ₹ 2,986.47 crore and 42 PSUs incurred loss of ₹ 8,124.12 crore. Three PSUs (KSSDCL, KMMDCL, KAADCL) did not finalise their first accounts. Eleven PSUs[52] prepared only a statement of income and expenditure. Four PSU's (KAMICL, FKL, KAVCDCL and KBDB) expenditure was equal to their income. Further, out of four PSUs incorporated during the year, one PSU (KSMSCL) did not finalise its first accounts though due while accounts of three PSUs (B-RIDE, KVLDCL and IFABL) were not due for the year 2020-21.

The major contributors to profit were KPCL (₹ 1,209.56 crore) and KPTCL (₹ 398.93 crore). Significant losses were incurred by HESCOM (₹ 2,490.26 crore) and RPCL (₹ 1,431.84 crore).

The working PSUs showed net aggregate profits of ₹ 155.12 crore during 2016-17 and incurred net aggregate loss of ₹ 2,099.69 crore, ₹ 2,340.99 crore, ₹ 3,374.05 crore and ₹ 5,137.65 during the year 2017-18, 2018-19 ,2019-20 and 2020-21 respectively.

The position of working PSUs which earned profit/incurred loss during 2016-17 to 2020-21 is given in the following table:

[52] KSWDC, KSSKDCL, KAJDC, RGHCL, KFCSCL, KVTSDCL, IKF, BBC, TMTP, SGB and KMERCL.

**Table No. 6: PSUs which earned profit /incurred loss**

| Sl. No. | Year | Total PSUs | Number of PSUs which earned profits during the year | Number of PSUs which incurred loss during the year | Number of PSUs not prepared profit and loss account[53] |
|---|---|---|---|---|---|
| 1 | 2016-17 | 90 | 52 | 22 | 16 |
| 2 | 2017-18 | 94 | 51 | 29 | 14 |
| 3 | 2018-19 | 101 | 54 | 34 | 13 |
| 4 | 2019-20 | 107 | 53 | 37 | 17 |
| 5 | 2020-21 | 111 | 47 | 42 | 22 |

## Coverage of Report

**1.14.** The observations on PSUs, which were included under Chapter II, contained eight compliance audit paragraphs.

The financial effect of the observations related to PSUs worked out to ₹ 367.57 crore.

## Response of the Government to Audit

***Performance Audits and Compliance Audit Paragraphs***

**1.15.** Eight Compliance Audit Paragraphs related to PSUs were issued (between November 2021 to April 2022) to the Government of Karnataka with a request to furnish replies. Replies to all eight Compliance Audit Paragraphs were received from the Government and the views have been suitably incorporated.

## Follow up action on Audit Reports

***Replies outstanding***

**1.16.** The Reports of the CAG represent the culmination in the process of audit scrutiny. It is therefore necessary that they elicit appropriate and timely response from the Executive. The Finance Department, Government of Karnataka, issued (January 1974) instructions to all Administrative Departments to submit replies to paragraphs and Performance Audits (PAs) included in the Audit Reports of the CAG within a period of three months of their presentation to the Legislature, without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The status of receipt of replies to the report of Comptroller and Auditor General of India from the GoK is given in the following table:

[53] Includes PSUs which have not prepared profit and loss account pending project completion, PSUs not prepared accounts since first year of their operation, PSUs which prepared income and expenditure statement instead of profit and loss account and PSU with nil profit/loss.

**Table No.7: Replies not received as on 30 November 2021**

| Sl. No. | Year of the Audit Report (PSUs) | Date of placing the Audit Report in the State Legislature | Total PAs and Paragraphs in the Audit Report | | Number of PAs/ Paragraphs for which replies were not received | |
|---|---|---|---|---|---|---|
| | | | PAs | Paragraphs | PAs | Paragraphs |
| 1 | 2016-17 | 22.02.2018 | 2 | 12 | - | 1 |
| 2 | 2017-18 | 18.02.2020 | 2 | 13 | - | 1 |
| 3 | 2018-19 | 03.02.2021 | 2 | 5 | 1 | 4 |
| **Total** | | | **6** | **30** | **1** | **6** |

### *Discussion of Audit Reports by COPU*

**1.17.** The status of Performance Audits (PAs) and paragraphs that appeared in Audit Reports on PSUs and discussed by COPU as on 30 November 2021 was as follows:

**Table No.8: Status of discussion of PAs and Paragraphs**

| Sl. No. | Period of Audit Report | Number of PAs/paragraphs | | | |
|---|---|---|---|---|---|
| | | Appeared in Audit Report | | Discussed | |
| | | PAs | Paragraphs | PAs | Paragraphs |
| 1 | 2010-11 | 2 | 11 | 1 | 11 |
| 2 | 2011-12 | 2 | 12 | 1 | 12 |
| 3 | 2012-13 | 2 | 12 | 2 | 11 |
| 4 | 2013-14 | 2 | 19 | 2 | 18 |
| 5 | 2014-15 | 2 | 17 | 2 | 17 |
| 6 | 2015-16 | 2 | 14 | 2 | 12 |
| 7 | 2016-17 | 2 | 12 | 1 | 11 |
| 8 | 2017-18 | 2 | 13 | 2 | 8 |
| 9 | 2018-19 | 2 | 5 | 1 | 0 |
| **Total** | | **18** | **115** | **14** | **100** |

### *Compliance to Reports of COPU*

**1.18.** Three reports of COPU (Report No. 127, 128 and 130) contained 24 recommendations in respect of paragraphs pertaining to three Departments[54], which appeared in the Reports of the CAG of India between the period 2008-09 and 2014-15 and the five *suo-motu* reports (Report No. 125, 129, 131, 132 and 133) contained 52 recommendations. These reports were presented to the State Legislature between December 2011 and February 2018.

Action Taken Notes (ATN) from the Government of Karnataka pertaining to three paragraphs of above three Reports of COPU and five *suo-motu* Reports of COPU were not received (November 2021).

[54] Commerce and Industries Department, Urban Development Department and Social Welfare Department.

**It is recommended that the Government may ensure sending replies to Paragraphs/Performance Audits and ATNs on the recommendations of COPU as per the prescribed time schedule.**

## Response to Inspection Reports

**1.19.** Audit observations noticed during audit and not settled on the spot were communicated to the heads of the PSUs and the concerned Departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of Departments within a period of one month. The Department-wise break-up of Inspection Reports and audit observations outstanding as on 31 March 2021 is given in ***Appendix-15.***

**It is recommended that the Government may ensure that a procedure exists for taking action (a) against officials who fail to respond to Inspection Reports based on the reports of Audit Monitoring Cell constituted by the Government; and (b) to recover loss/outstanding advances/overpayment within the prescribed time.**

# Chapter – II
# Compliance Audit Observations on Public Sector Undertakings

# Chapter - II

## 2. Compliance Audit Observations on Public Sector Undertakings

This chapter deals with Compliance Audit Observations on Public Sector Undertakings (PSUs). Important findings emerging from audit that highlight deficiencies in planning, investment and contract management in the PSUs are included in this Chapter.

**Bangalore Electricity Supply Company Limited**

### *2.1. Implementation of Distribution Automation System*

**Bangalore Electricity Supply Company Limited implemented the project of Distribution Automation System at a total cost of ₹ 572.64 crore with delay of eight years beyond the scheduled date. Consequent to the delay, the system components have reached the end of service life requiring upgradation of both software and hardware.**

**2.1.1.** Transmission and Distribution losses in Bangalore city stood at 12.5 *per cent* during 2004 and frequent occurrence of power outages was a serious bottleneck in the distribution system. In the city of Bangalore, the annual average outage duration per consumer (called System Average Interruption Duration Index – SAIDI) during 2003-04 was 86.2 hours[55] as compared to 21 hours in Chennai and 31.5 hours in Delhi. In order to address the issue of frequent outage of power and to improve reliability of electricity supply, Bangalore Electricity Supply Company Limited (the Company) decided (December 2004) to implement the Distribution Automation System[56] (DAS). The project was implemented in 14 divisions[57] under the Company's operational jurisdiction at a total cost of ₹ 572.64 crore as on 31 March 2021 (₹ 403.29 crore funded by Japanese International Co-operation Agency -JICA and ₹ 169.35 crore was borne by the Company). The project *inter-alia* envisaged reduction in System Average Interruption Duration Index (from 86.2 hours to 31.4 hours), reduction in restoration duration of fault (from 155-230 minutes to 43 minutes), reduction in distribution losses (from 10.62 *per cent* to 9 *per cent*) and increase in energy sales (annual accrual of ₹ 13 crore). The project was scheduled to be completed by January 2012.

Audit reviewed (March 2021) the implementation of the project to ascertain whether planning, execution and operation of Distribution Automation System was carried out to achieve the envisaged benefits, *i.e.* reduction in System

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[55] Annual average consumer hours lost due to (i) 11kV feeder interruption: 64.57 hours; (ii) 66kV feeder/sub-station: 20.22 hours; and (iii) DTC/LT interruptions: 1.43 hours.

[56] DAS comprising Supervisory Control and Data Acquisition (SCADA) and Advance DMS application software enable an electric utility to monitor, coordinate, and operate distribution components in a real-time mode remotely. This would enable reduction in down time due to quicker fault location and restoration of power.

[57] HSR Layout, Koramangala, Jayanagar, Indiranagar, Shivajinagar, Vidhana Soudha, Whitefield, Rajajinagar, RR Nagar, Kengeri, Hebbal, Peenya, Malleswaram and Jalahalli.

Average Interruption Duration Index (SAIDI), reduction in restoration duration of fault, reduction in distribution losses, increase in energy sales, *etc*.

## A. Planning and execution of the project

**2.1.2.** The project involved execution of both physical components (upgrading and/or replacing existing overhead lines and underground cables, construction of additional feeders, construction of two Integrated Control centres) and installation of hardware/software, which included deploying SCADA[58] ready switches in the form of Line Re-closures (LRCs), Load Break Switches (LBS), Ring Main Units (RMUs). These devices were to be monitored and controlled from two Distribution Control Centres equipped with Distribution Automation System and Remote Terminal Units (RTUs) that will enable DAS to interoperate with the switches, and will form part of the project. A Glossary of technical terms of the project is appended to this report.

The above hardware/software components of the project were implemented through multiple interrelated construction contracts (15 contracts in seven packages), besides engaging a project management consultant for system design, engineering, tendering and procurement, construction, testing and capacity building. Audit observed that there were delays in completion of both physical components as well as installation of hardware/software. Significant delays with reference to original project completion date (January 2012) were noticed in completion of second integrated control centre (five years), commissioning of LRCs, LBS and RTUs/RMUs (seven to eight years). The component-wise details with reasons for delay are given in the ***Appendix-16***.

Audit observed that as per the agreement, while the entire system of DAS was expected to be completed by January 2012, BESCOM could finalise the physical components of the project such as location for second control centre (BCC-2) in July 2014 and complete construction in December 2016 (*i.e.* after a delay of four years from the original date of completion of the whole project), and then there were further delays in obtaining Ultra High Frequency (UHF) and Radio Frequency allocation, which were completed only by February 2017. Also, there were inconsistencies in GIS data maintained by the Company as the data did not match with actual field situations, there were missing portions and quality issues, and hence found not suitable for feeder automation design. This had necessitated resurvey of feeders. These delays had impacted overall completion of the project. The details of time taken for these activities are detailed in ***Appendix-17***.

As a result of the above lacunae, the project was declared operational in March 2019 against the scheduled date of December 2012/November 2013[59]. The delays in completion ranged from five to more than seven years from the original contract periods. The system was declared operational in 5 out of 14 divisions as of March 2019, and the remaining nine divisions were brought into the system in a phased manner only by June 2020, *i.e.* eight years after the

[58] Supervisory Control And Data Acquisition System.

[59] Excluding packages IA and IB related to construction of control centres which were awarded subsequently due to delay in finalising location.

scheduled completion date. The status of completion of works is given in ***Appendix-16.***

The Government replied (March 2022) that much time was consumed in statutory clearances specifically for frequency spectrum allocation. The delay was unforeseen and beyond BESCOM's purview which had impacted the project completion.

The reply is not acceptable as the Company took more than three to nine years from the date of concluding (March 2007) loan agreement with JICA for resurveying of feeders and finalising the location for second control centre which were well within the purview of the Company. Audit also observed that even after the project was put into operation, the Company was unable to operate the system to its optimum capacity and derive the intended output for the reasons discussed below.

**B. Bottlenecks in operation**

**2.1.3.** The Company could not resolve the bottlenecks in operations, such as tagging of consumers to the associated assets, integration of automation points, non-functioning of automation points, *etc.* Audit findings are detailed below:

**Incomplete tagging of Consumer Information System**

**2.1.3.1.** The consumers are tagged to their associated assets in GIS, *viz*. feeder-wise and Distribution Transformer Centre (DTC)-wise, so that the consumers are brought into the DAS environment and facilitate accurate estimation of System Average Interruption Duration Index (SAIDI). For this purpose, the Customer Information System of the R-APDRP[60] was to be mapped to GIS.

Audit observed that the GIS mapping of incremental assets (LT and HT network) in 12 out of 14 divisions was completed. Further, tagging of consumers for 12,832 DTCs out of 50,655 DTCs remained incomplete as of March 2022. The division-wise details of DTCs, consumers tagged and DTCs without consumer tagging are detailed in ***Appendix-18***.

As a result of incomplete mapping of assets in GIS, monitoring of automation points through DAS was not possible and also due to non-tagging of consumers with the respective DTCs, it would not be possible to arrive at the System Average Interruption Duration Index (SAIDI) accurately.

The Government replied (March 2022) that continuous efforts were being made by BESCOM to capture the consumer data along with GIS data. The tagging of DTCs with consumers is addressed by re-indexing the consumer-DTC mapping, and as on date, 12,832 DTC are pending for re-indexing.

[60] Restructured Accelerated Power Development and Reforms Programme (RAPDRP), an IT application which provides baseline data for energy accounting/auditing and IT based consumer service centers.

### Integration of automation points

**2.1.3.2.** At the beginning of the project (2003-04), 700 feeders with 21 lakh consumers were planned for automation under the DAS. For these 700 feeders, the Company planned installation of 3,130 automation points (1,590 RMUs, 745 LBS and 795 LRC).

Audit observed that as of September 2021, integration with DAS for LBS and LRC was completed (99 *per cent*), however, integration of 149 RMUs was pending. The reasons as attributed (October 2021) by the Company were breakdown of RMUs, fault condition, ongoing infrastructure works, *etc*. Audit observed that installation of RMUs were carried out since September 2012 and these RMUs were put into operation without bringing into DAS due to delays in declaring the project operational. Audit further observed that the integration of the devices could not be carried out because there were several instances of theft of batteries, internal cable damages, non-functional RMUs, bypassing of devices during execution of other infrastructure works, failed RMUs due to ageing and lack of maintenance, *etc*. Moreover, the annual maintenance contract (AMC) was in place only for 2,391 out of 3,130 automation equipments (76 *per cent*), the remaining points were left without AMC.

Further, 72 RTUs were not working as of March 2021 (34 RTUs not working for more than two years), which require replacement. These non-functional RTUs remained out of DAS. The technical committee appointed (September 2020) to review the project also recommended replacement of 106 RMUs which were faulty and irreparable. In addition, the committee observed that several RMUs existing in the live distribution network had deteriorated impacting the overall performance and efficiency.

Therefore, due to inadequacies in operations of automation points as mentioned above, the benefits of automation were not derived to its optimal capacity.

The Government replied (March 2022) that integration of all devices has been carried out except for the failed/under-repair devices. Action has been taken to replace/repair 149 RMUs that have failed. The comprehensive annual maintenance contract for all RMUs in Bengaluru city is awarded and the issue of maintenance is being addressed.

### Non-monitored Feeders

**2.1.3.3.** The number of feeders were increased to 1,792 from the existing 700 feeders in 2003-04 and the number of consumers to 55.63 lakh from 21 lakh as of March 2021. Audit observed that the number of automation points were not increased proportionate to the increase in feeders. The Company, only during April 2021, identified 1,037 new automation points in the feeder network and decided to install more automation equipment. However, action was not initiated as of September 2021. Further, out of 1,792 feeders, only 1,498 feeders[61] were brought into the DAS system. Of these 1,498 feeders, only 1,012 feeders with DAS devices could be monitored and controlled from the DAS

[61] 294 out of 1,792 feeders were stated to be idle/auxiliary not requiring any monitoring.

control centers, leaving 486 feeders without DAS devices for which remote operations were not possible. This had defeated the purpose of automation.

Audit further observed from the monthly reports (January 2020 to February 2021) generated by the DAS control centers that there were 129 out of 225 feeders in Koramangala division and 72 out of 195 feeders in HSR division without DAS switches. Though the fact of these feeders being without DAS switches had been reported continuously during January 2020 to February 2021, yet no action had been taken to install/rectify DAS switches to these feeders.

The Government replied (March 2022) that automation of new feeders requires other components/facilities to be put in place which required statutory approvals and such facilities can be taken in batches. Further, BESCOM has no control over infrastructure works undertaken by other agencies which result in changes in distribution network and impact identification and finalisation of location for automation points. With regard to feeders without switches in Koramangala and HSR divisions, it was stated that 96 out of 201 feeders were dedicated feeders and providing automation points for these feeders does not make any value addition.

The reply does not address plan of action that was in place for identifying the automation points for the new feeders and to get the required statutory approvals so that the new feeders could be brought into DAS purview. The reply is also silent on the reasons for not taking action to provide DAS switches for other than dedicated feeders in Koramangala and HSR divisions despite it being reported continuously. The contention that dedicated feeders do not require automation points is not sustainable as there was no such approved policy/decision on record.

### C. Project benefits

**2.1.3.4.** The project envisaged *inter-alia* the following quantitative targets.

**Table No.2.1.1: Targets under DAS**

| Sl. No. | Parameter | Existing level (Pre-project) (Year 2006) | Targeted level (post-project) |
|---|---|---|---|
| 1 | System Average Interruption Duration Index (SAIDI) (hours per annum per customer) | 86.2 | 31.4 |
| 2 | Restoration duration of fault (in minutes) | 155-230 | 43 |
| 3 | Distribution loss (*per cent*) | 10.62 | 9 |
| 4 | Annual financial benefit due to increase in energy sales | Accrual of ₹ 13 crore annually due to increase in energy sales | |

**(Source: Detailed Project Report of DAS)**

The Company evaluated one of the parameters (*i.e.* SAIDI) that were envisaged to be achieved under DAS. The other parameters, *viz*. distribution losses, fault restoration duration and increase in energy sales have not been evaluated.

Audit review of SAIDI for Bangalore Metropolitan Area Zone (BMAZ) during 2019-20 and 2020-21 revealed that the annual average outage duration ranged from 42.84 hours to 134.54 hours[62] against the target of 31.4 hours and pre-project level of 86.2 hours per consumer.

The Government stated (March 2022) that performance of the project was affected by implementation of underground cable project on the live distribution network taken up as per the decision of GoK. It was further stated that DAS control centre operations which were carried out by resources exposed to high technology systems for the first time required a substantial gestation period for carrying out the control room operations. The annual outage hours per customer after implementation of DAS in respect feeders that were monitored remotely reduced substantially to 51.95 hours from 86.2 hours.

The fact remained that the Company failed to resolve various bottlenecks that were encountered during operations (integration of automation points, replacement of non-functional RTUs/RMUs, tagging of consumers to the associated assets, *etc*), which were well within the purview of the Company. Though the annual outage hours in respect of feeders that were monitored through DAS showing reduction to 51.95 hours per customer, it is way beyond the target of 31.4 hours. Moreover, the overall outage hours remained high ranging from 42.84 hours to 134.54 during 2019-20 and 2020-21. Thus, the desired benefits have not been yielded yet (March 2022) despite the project was declared operational in March 2019.

**D. Obsolescence of the system**

**2.1.3.5.** A technical committee was formed (September 2020) by the Company to analyse implementation of the DAS project and the complexities involved therein. The Committee *inter-alia* recommended the following*:*

i. DAS Master Station is running without warranty support or maintenance support. There is high risk of total system failure due to complex software or hardware issues which occur due to dynamic addition of points and unforeseen circumstances. This requires expert support from the Original Equipment Manufacturer (OEM) as the software is proprietary and ageing of hardware.

ii. The system components have reached end of their service life and have seen failure of subsystem components due to ageing. Sustenance of the system has been a huge challenge in view of no support from the vendor, besides unavailability of spares in the market. With the design of the system requirements forecast 12 years ago, the capability of both hardware and software will have to be upgraded considering the growth of distribution network and increased functional requirement to enable effective distribution management.

[62] **2019-20:** North Circle: 99.56 hours, East Circle: 134.41 hours, South Circle: 91.64 hours, West Circle: 134.54 hours; **2020-21:** North Circle: 48.84 hours, East Circle: 101.40 hours, South Circle: 42.84 hours, West Circle: 126.12 hours.

Audit observed that the system that was put into operation in March 2019 with a total cost of ₹ 45 crore[63], after lapse of eight years of targeted date, had hardly served for two years before it became obsolete, as the process of integration of various equipment into the DAS and tagging of consumers to the Distribution Transformer Centres continued even as of March 2022, and many of the Ring Main Units/Remote Terminal Units remained non-functional due to lack of maintenance and certain feeders were yet to be equipped with DAS switches.

The Government replied (March 2022) that the system continues to remain in operation and the Independent Technical Committee, considering the lifespan and unavailability of support from OEM, has recommended BESCOM to replace the IT system which was procured during 2011-12.

The fact however remained that the equipment worth ₹ 45 crore warranted replacement without reaping the material benefits.

***Conclusion***

The Company lacked adequate preparedness before the project being implemented, as it did not ensure basic elements of the project implementation such as obtaining required statutory clearances, correctness of GIS data of assets, identification of automation points, location for control centers, *etc*. As the package contracts were inter-dependent, lack of synchronization of various activities impacted completion of works within targeted time. As a result, the project was completed after lapse of more than eight years of scheduled date of completion.

Though the system was declared operational in March 2019, effectively all the 14 divisions were brought into network operation model only by June 2020. Consequently, software applications and hardware which were designed 12 years prior had become obsolete before the desired outputs could be derived. The outage hours which was one of the prime elements that were targeted to be reduced to 31.4 hours per consumer per annum remained unachieved, with the actuals ranging from 42.84 hours to 126.12 during 2020-21. The other parameters as envisaged in the project *viz.*, distribution losses, fault restoration duration and increase in energy sales were not evaluated by the Company. Thus, the project that was implemented with an outlay of ₹ 572.64 crore, had not yielded the desired outcomes, besides warranting upgradation of the system at additional cost.

***Recommendation:***

**Audit recommends that the Company should prepare a comprehensive action plan to bring all the new feeders under the purview of DAS, identify and replace/repair the non-functional equipment on regular basis through the annual maintenance contracts and should update the IT system as suggested by Independent Technical Committee appointed by the Company.**

[63] Represents cost of DAS Master Station IT component as confirmed in the reply dated 31.3.2022 of the Government.

## Public Sector Undertakings

### *2.2. Loss making Public Sector Undertakings*

**2.2.1.** The Government of Karnataka (GoK), from time to time, established Companies and Corporations under the Companies Act, 1956 and 2013. Besides, the GoK had brought certain corporations into existence with specific purposes through a special act of the Legislature *viz*. State Road Transport Corporations, State Financial Corporation, and State Warehousing Corporation. The operations of these State Public Sector Undertakings (SPSUs) have extended to wide range of activities, *viz*. Infrastructure development, manufacturing, service, trading, marketing, financing, *etc*.

As on 31 March 2021, the State had 124 SPSUs comprising 118 Government Companies (included 13 non-working companies) and six Statutory Corporations. The State Government had infused funds in these PSUs through budgetary support in the form of share capital, grants and subsidies and loans. Some of these PSUs, over a period of time, were functioning under losses on account of factors, such as operational inadequacies, *etc*.

For the purpose of the current study, PSUs which had incurred losses in at least three out of previous six years (2015-16 to 2020-21) were considered for detailed study. Out of 64 working PSUs[64], 21 PSUs were functioning mainly with the support of Government grants and did not have their own operational income, and hence these were not considered in the audit sample. In the remaining 43 PSUs, there were 12 PSUs which incurred losses in at-least three out of last five financial years. Out of which 10 PSUs[65] were selected for detailed study. As on 31 March 2021, GoK invested a total equity of ₹ 3,793.18 crore in these 10 selected PSUs which had accumulated loss of ₹ 13,436.35 crore as on that date. The details of equity infused during 2015-16 to 2020-21 are given ***Appendix-19***.

Audit Objective was to analyse the reasons and factors attributable to losses incurred by PSUs and to ascertain the remedial measures taken for improving their operational and financial performance.

Audit test checked (October 2021 to February 2022) the records relating to performance of the PSUs maintained at the respective administrative Departments and the Corporate offices of the PSUs. Audit analysis of reasons for losses in respect of each of the selected PSUs are discussed in the subsequent paragraphs.

[64] under the audit jurisdiction of Office of the Accountant General Audit-II, Karnataka.

[65] **Transport Department:** Karnataka State Road Transport Corporation, North Western Karnataka Road Transport Corporation, Kalyana Karnataka Road Transport Corporation, Bangalore Metropolitan Transport Corporation; **Urban Development Department:** Hubballi-Dharwad BRTS Company Limited; **Energy Department:** KPC Gas Power Corporation Limited, Hubli Electricity Supply Company Limited, Gulbarga Electricity Supply Company Limited; **Commerce and Industries Department:** Karnataka State Coir Development Corporation Limited, The Mysore Sugar Company Limited.

## State Road Transport Corporations

**2.2.2.** In order to increase operational efficiency, provide quality transport service to the commuters and to have an effective supervision on the operations, the State Road Transport Corporation in Karnataka was split (February 1997) into four corporations *viz*. Karnataka State Road Transport Corporation (KSRTC), Bengaluru Metropolitan Transport Corporation (BMTC), North Western Road Transport Corporation (NWKRTC) and North East Karnataka Road Transport Corporation (NEKRTC) renamed (July 2021) as Kalyana Karnataka Road Transport Corporation (KKRTC).

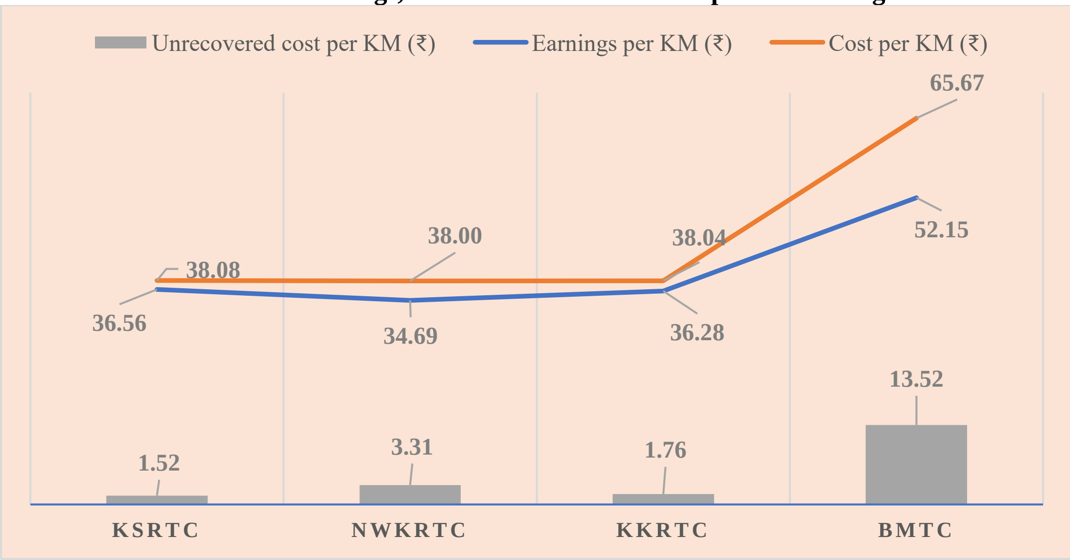
All the four Corporations had been incurring losses excepting for intermittent periods. During 2015-16 to 2020-21, the four Corporations incurred losses except for one year (2015-16) by BMTC and two years (2015-16 and 2017-18) by KSRTC when they recorded profits. The accumulated losses stood at ₹ 4,689.09 crore as against the equity investment of ₹ 659.07 crore by the GoK as at the end of March 2021. The reasons for losses are anlaysed in the subsequent paragraphs.

### *Cost of operations*

**2.2.2.1.** The major elements of cost of operations consisted of employee cost (44.81 *per cent*) and fuel (Diesel) cost (31.64 *per cent*) during 2015-16 to 2020-21. These costs were recovered by the Corporations mainly through collection of bus fare from the passengers. In order to prevent the financial loss faced by the State Road Transport Undertakings on account of hike in prices of Diesel and Dearness Allowance (DA) payable to employees, the GoK permitted (September 2000) the Corporations to automatically revise their tariff to neutralize the effect of increase in Diesel price and DA by adopting the predetermined formula called, Automatic Fare Adjustment Formula (AFAF) and such revisions in fare is subject to fulfillment of certain conditions and approval of GoK. Audit made the following observations:

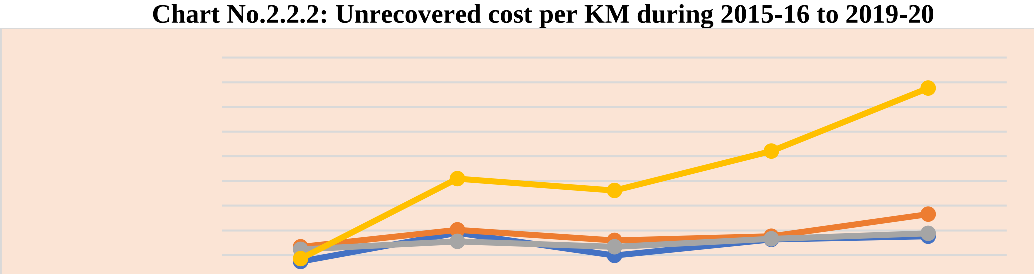
i. The following chart depicts cost and earnings per kilometer operated during 2019-20.

**Chart No.2.2.1: Earnings, cost and unrecovered cost per KM during 2019-20[66]**




The cost per kilometre operated was on the higher side as compared to the corresponding revenue earned in all the four corporations, resulting in under-recovery of operating cost which ranged from ₹ 1.52 to ₹ 13.52 per kilometer operated during 2019-20. Further, there was shortfall in recovery even during earlier years, as depicted in the following chart.

**Chart No.2.2.2: Unrecovered cost per KM during 2015-16 to 2019-20**




| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|
| KSRTC | -0.52 | 1.8 | -0.04 | 1.27 | 1.52 |
| NWKRTC | 0.66 | 2.04 | 1.19 | 1.52 | 3.31 |
| KKRTC | 0.46 | 1.12 | 0.66 | 1.32 | 1.76 |
| BMTC | -0.3 | 6.2 | 5.22 | 8.42 | 13.52 |

ii. As could be seen from the chart above, the unrecovered cost in respect of all the four corporations had gone up gradually during 2015-16 to 2019-20. Audit observed that until 2014-15, the fare was revised annually, the last revision upto that period was made in January 2015. Subsequently, the Corporations did not revise the fare until February 2020. The reasons were not kept on record for non-revision of fare by the Corporations as per AFAF despite increase in cost of operations during five years between 2015 and 2020. Further, the GoK while

[66] As the operations during 2020-21 were limited due to pandemic, analysis is shown for 2019-20.

approving revision of fare during February 2020, restricted fare increase to 12 *per cent* against 15 to 20 *per cent* hike sought by the Corporations.

In respect of BMTC where un-recovered cost was high (₹7.64 per kilometre during 2020-21), the management informed (January 2020) the Government that the reasons for mounting losses were *inter-alia* due to increase in operational cost without much variation in growth rate of income, operation of aged fleet on account of non-induction of new buses, *etc*. However, fare hike approved during February 2020 for other three corporations was not extended to BMTC services without any recorded reasons.

The Government stated (April 2022) that the Corporations have been given autonomy in revision of passenger bus fares in terms of Government Order dated 30 September 2000. Bus fare was fixed from time to time considering the social responsibilities and affordability of transport services to general public. A One-man Committee has been constituted to study the working/performance of Corporations and to recommend measures to improve their efficiency, which would be examined.

The reply is silent on the specific reasons for not revising the fare between 2015 and 2020 as per Automatic Fare Adjustment Formula despite increase in operating cost.

***Concessions to public***

**2.2.2.2.** The concessions in passenger fare was extended by the Corporations to different categories of travelling public, such as, students, senior citizens, physical handicapped/visually impaired persons, freedom fighters / widows of freedom fighters, dependents of martyrs, *etc*. Financial burden towards extension of such concessions were shared between the GoK and the Corporations as per the agreed formula[67]. The details of amounts claimed and received by the Corporations towards various concessions are detailed in the ***Appendix-20.*** The overall claims preferred and shortfall in receipt of claims from the Government are given below:

**Table No.2.2.1: Status of claims towards concessions**

***(₹ in crore)***

| Sl. No. | Particulars | KSRTC | NWKRTC | KKRTC | BMTC | Total |
|---|---|---|---|---|---|---|
| 1 | Amount receivable as per records | 4,601.43 | 2,490.39 | 2,442.49 | 2,741.19 | **12,275.50** |
| 2 | Actual received | 3,065.24 | 1,421.32 | 1,655.52 | 1,867.62 | **8,009.70** |
| 3 | Shortfall | 1536.19 | 1069.07 | 786.97 | 873.57 | **4,265.80** |

Audit observed shortfall in receipt of claims towards concessions to the extent of ₹ 4,265.80 crore pertaining to the period 2000-01 to 2020-21. This had

[67] **Students' bus pass concession:** Upto 2013-14, differential rate of expenditure per pass per week. With effect from 2014-15, Actual expenditure basis; **Concession / rebate to senior citizens:** 75 *per cent* of the bus fare to be borne by the beneficiary, and 25 *per cent* by the corporations and GoK (12.50 *per cent* each).

impacted the financial position of the Corporations, as the accumulated loss of all the four corporations stood at ₹ 4,689.09 crore as at 31 March 2021. The reasons for non-release of claims in full were not kept on record.

The Government stated (April 2022) that allocation of funds towards travel concessions is decided in the State Budget considering various factors.

The fact however remained that the Corporations extended the concessions as per the decisions/directions of the Government, however, the corresponding expenditure was not reimbursed.

***Motor Vehicle Tax***

**2.2.2.3.** As per Karnataka Motor Vehicles Taxation Act, the Corporations were liable to pay Motor Vehicle Tax (MV tax) for operating the buses on the road. As a measure of providing financial support to the Corporations, GoK granted (between 2000-01 to 2019-20) permission to retain the MV tax payable by the Corporations with a condition to remit to the Government account at a later date, to such an extent that the Corporation does not make cash loss.

Accordingly, the GoK granted (March 2001) permission for retention of MV tax by KKRTC for the period 2000 to 2017. The Government granted similar deferment option to NWKRTC for five years from 2012 to 2017 amounting to ₹ 344.50 crore and to BMTC for three years from 2017-18 to 2019-20 amounting to ₹ 269.47 crore.

Audit observed that the option for deferment of tax payment had given the Corporations only a temporary relief, as the tax was required to be remitted to the Government once the exemption period expired. As such, the deferment option did not help the Corporations in recouping their losses.

The Government stated (April 2022) that the Corporations are liable to pay MV tax even when they are under revenue loss.

Thus, the exemption of MV tax did not help the Corporations in recouping the losses.

## Hubballi-Dharwad BRTS Company Limited

**2.2.3.** Hubballi-Dharwad BRTS Company Limited (HDBRTS) is a Special Purpose Vehicle set up (May 2012) for implementation of the Bus Rapid Transit System (BRTS) in the twin cities of Hubli-Dharwad to improve public transport services. The project which had envisaged development of road corridor of 22.25 KMs, commenced its commercial operations with effect from April 2019. The total cost of the project was ₹ 970.87 crore.

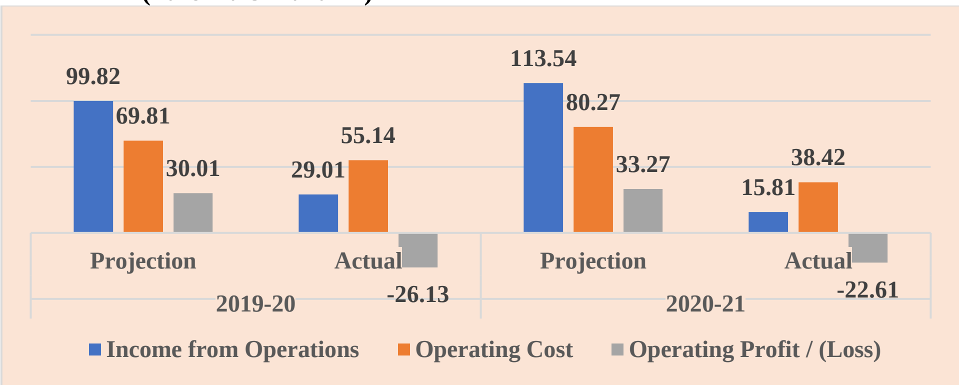
Consequent to commencement of trial runs in October 2018, as an interim arrangement, GoK decided (November 2018) to run the operations through NWKRTC by setting up of separate City Division to look after overall city operations of twin cities. The GoK had also extended (November 2018) initial financial assistance of ₹ 35 crore for operations of HDBRTS services.

NWKRTC reported operational loss of ₹ 41.24 crore on account of BRTS operations upto March 2021. Besides, HDBRTS has an accumulated loss of ₹ 5.69 crore as at the end of March 2021. Audit analysis of operational / financial performance of HDBRTS revealed certain inadequacies affecting the viability of operations as discussed below.

**Unviable operations**

**2.2.3.1.** The project envisaged profits from the first year of operations. However, the project operations incurred losses since first year of operations as indicated in the chart below:

**Chart No.2.2.3: Operational performance during first and second year of operations (2019-20 & 2020-21)**




Audit observed the following factors for the losses:

i. The Detailed Feasibility Report of BRTS project envisaged operation of standard buses. However, the actual operations were carried out through standard premium quality AC buses (Volvo brand) which are relatively less fuel efficient. Besides, the Board of Directors of HDBRTS took a decision (December 2018) to adopt existing Non-AC bus fare of NWKRTC despite inducting AC buses for operation of HDBRTS services.

ii. The project envisaged fuel efficiency at 3.50 KMs per litre of HSD consumption, considering the fleet of standard buses. However, the actual fuel efficiency achieved by the AC buses was 2.49 KMs and 2.57 KMs per litre of HSD consumption during 2019-20 and 2020-21. This had impacted the operational efficiency leading to additional operational cost of ₹ 10.01 crore[68] during 2019-21.

iii. Considering the fact of non-viability of operations with the existing fare structure, the High-Power Committee[69] (HPC) constituted (March 2012) for monitoring the implementation of project, recommended (August 2019) HDBRTS to revise the existing fare by 50 *per cent* in the first year

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[68] **2019-20:** Excess consumption of HSD for operating 90 lakh KMs (10.43 lakh litres) x Average Procurement cost per litre of HSD (₹ 63.48); **2020-21:** Excess consumption of HSD for operating 50.12 lakh KM (4.70 lakh litres) x Average Procurement cost per litre of HSD (₹ 72.14).

[69] HPC was headed by the Chief Secretary with heads of the Departments (Transport, Finance, Urban Development, etc) and Managing Directors of HDBRTS and KRDCL as members.

and by 10 *per cent* each in the second and third year. The HPC also made (November 2017) the following recommendations with regard to implementation of the project:

a. To undertake a study on the legal implications of discontinuance of private bus operations which was considered as one of the roadblocks affecting the BRTS operations;

b. Revision of fares for three years and calculation of Viability Gap Funding (VGF) based on the revised fare recommendations;

c. Waiver of motor vehicle tax for initial five years period;

d. Imposition of public transport fuel cess of ₹ 2 per litre of fuel consumed in the state to provide VGF for State Transport Undertakings including HD-BRTS, Ownership of assets under BRTS corridor;

e. Procurement of additional buses for BRTS operations, *etc.*

Audit observed that no evidence was kept on record in support of any action being taken by HDBRTS on the recommendations of the Committee, excepting approval of GoK for one-time fare hike with effect from February 2020.

The Government stated (April 2022) that projections made in the Draft Feasibility Report were for operational period of 2014-15 and the projections made are subjected to change due to various factors, *viz*. actual project commencement (October 2018), hike in fuel cost, fare revision, *etc*.

The reply did not address the audit point on non-implementation of recommendations made by HPC.

**Hubli Electricity Supply Company Limited and Gulbarga Electricity Supply Company Limited**

**2.2.4**. The Electricity Supply Companies (ESCOMs), which are the distribution licencees under the provisions of Electricity Act, 2003, were responsible for distribution of power to the retail consumers, besides providing infrastructure for open access, wheeling of energy under their jurisdiction. ESCOMs were formed (June 2002/April 2005) based on geographic importance in the state.

Hubli Electricity Supply Company Limited (HESCOM) with seven districts (North-western region) and Gulbarga Electricity Supply Company Limited (GESCOM) with six districts (North-Eastern region) under their jurisdiction as at 31 March 2021, had incurred losses during 2015-16 to 2020-21, except for profit in 2018-19. The accumulated loss of two ESCOMs stood at ₹ 8,180.92 crore as on 31 March 2021. The consumers both under GESCOM and HESCOM predominantly were from agriculture sector with more than 40 *per cent* and 50 *per cent* of the energy being supplied to Irrigation Pump (IP) set consumers. Audit made the following observations:

***Supply of energy at subsidised tariff***

**2.2.4.1.** The Rate at which the energy is distributed / supplied to the consumers is based on tariff determined by the Karnataka Electricity Regulatory Commission (KERC). As per the approved tariff, the electricity to consumers under two categories of tariff, *viz.* LT1 (upto 40 units to BJ/KJ consumers[70]) and LT4a (Consumers with Irrigation Pump (IP) sets upto and inclusive of 10HP capacity) was supplied free of cost and the cost incurred on such supply was to be off-set by the subsidy released by the GoK. Of the total consumer base of 88.20 lakh, 27.44 lakh installations (31.10 *per* cent) were under the subsidized category and constituted 50.49 *per cent* of the total billed energy (₹ 35,097.67 crore) during the last six years (2015-21). The manner of payment of subsidy was governed by the Regulations issued (February 2008) by KERC.

Audit observed that as at the end of March 2021, approved tariff subsidy and other claims amounting to ₹ 6,879.99 crore[71] pertaining to period 2007-08 to 2020-21 were pending receipt by ESCOMs (***Appendix-21***). The GoK informed (July 2019) ESCOMs that the financial assistance has been restricted only to IP set / BJKJ subsidy due to limited budget allocation. It is pertinent to mention that in an earlier occasion while approving Tariff Order 2018, KERC had taken exception (December 2017) to passing on the burden to consumers on account of short release of subsidy by the GoK.

In fact, the ESCOMs, in order to meet the expenditure for capital works, had largely relied on borrowed funds (loans from banks and financial institutions), an amount of ₹ 16,279.60 crore was borrowed (GESCOM: ₹ 3,815.92 crore HESCOM: ₹ 12,463.68 crore) and incurred interest cost of ₹ 2,633.09 crore (GESCOM: ₹ 719.53 crore and HESCOM: ₹ 1,913.56 crore) during 2015-16 to 2020-21. The interest payments were increased by 130 *per cent* in HESCOM and 176 *per cent* in GESCOM over a period of six years (2015-21). These costs would be factored into tariff and stands recoverable from the consumers.

The Government in its reply while confirming the facts in the audit observations stated (May 2022) that the release of subsidy to ESCOMs is based on the concurrence given by the Finance Department.

As the ESCOMs made power supply to the specified consumers (BJ/KJ, IP set installations, *etc*) at subsidised rates as per the approved tariff, non-release of eligible subsidy would affect the financial performance of the ESCOMs.

***Operational inefficiencies***

**2.2.4.2.** ESCOMs incurred losses on account of various other factors, *viz*. disallowance of IP set energy consumption and late payment surcharges, non-realisation of dues from consumers, distribution losses beyond norms and write-off of dues from Gram Panchayats as detailed below:

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[70] Consumers who were provided electricity connections under Bhagya Jyothi/Kuteer Jyothi scheme of the State.

[71] HESCOM: ₹ 5,047.32 crore, GESCOM: ₹ 1,832.67 crore.

i. In Tariff Orders 2017, 2018 and 2020, KERC disallowed total claim of ₹ 281.11 crore towards sale of electricity to IP set consumers. While disallowing the IP set sales, KERC attributed the reasons for increased consumption by IP set installations to HESCOM's failure to submit the IP set consumption based on the segregated agricultural feeders as well as supply of power to IP sets beyond the scheduled seven hours stipulated by the GoK. In Tariff order 2020, KERC directed HESCOM to restrict the sales to the approved level of sales to minimize financial burden to the GoK.

ii. The KERC disallowed Late Payment Surcharge (LPS) of ₹ 2,616.63 crore (GESCOM: ₹ 1,149.30 crore; HESCOM: ₹ 1,467.33 crore) paid on power purchase bills. The KERC, while disallowing LPS of HESCOM, observed (Tariff Order 2020) that HESCOM had not taken prompt action in issue and collection of bills from the consumers and exercised due diligence in incurring the expenses. Audit observed that the collection efficiency against the total demand (including arrears) in GESCOM ranged from 64.43 *per cent* to 80.57 *per cent* and in HESCOM, it ranged between 71.96 *per cent* and 81.08 *per cent* during 2015-16 to 2020-21.

iii. KERC, while determining the tariff for each year, fixes the target for distribution losses and issues directions from time to time for reduction in losses. The actual achievement *vis-à-vis* targets fixed by KERC during 2015-16 to 2020-21 showed that HESCOM reported losses well within the targets. However, for the financial year 2015-16, due to revision in sales to IP sets (LT 4 category) during annual performance review by KERC (Tariff Order 2017), the actual distribution losses worked out to 20.92 *per cent* against the target of 18 *per cent*. As a result, KERC levied a penalty of ₹ 164.35 crore for exceeding the target levels. This led to under-recovery of cost of supply by that extent, contributing to the loss.

iv. The GoK approved (March 2017) a securitization scheme wherein electricity dues from Gram panchayats outstanding as on 31 March 2015 were swapped for settlement of power purchase dues payable to Karnataka Power Corporation Limited by ESCOMs. Under the scheme, GESCOM had written off ₹ 206.13 crore during 2019-20 due to withdrawal of income recognised till March 2015 towards interest on those electricity dues.

The Government stated (May 2022) that the collection efficiency of GESCOM was 95 *per cent* to 100 *per cent* except for Rural/Urban Local Bodies. In respect of HESCOM, it was stated that more than 50 *per cent* of revenue is generated from subsidized category and the efforts are being made for improvement in collection efficiency by conducting Revenue Review Meetings at Circle/Zone level every month. With regard to distribution loss, HESCOM has taken various measures to keep the distribution losses within the targets fixed by KERC and the losses are in decreasing trend during 2015-16 to 2020-21. Interest of ₹ 206.13 crore accumulated on Gram Panchayat dues was written off by

GESCOM as per the decision of the Government (19 February 2020) and approval of the Board of Directors of GESCOM (12 August 2020).

## Karnataka State Coir Development Corporation Limited

**2.2.5.** Karnataka State Coir Development Corporation Limited (KSCDCL) engaged in production of environmental friendly, durable, low cost high quality value added coir products from coconut husks, train and provide employment opportunities in production of coir products to eligible beneficiaries identified from rural areas, *etc*.

KSCDCL, which had 39 production centres and five sales show rooms across the state, had continuously incurred losses since 1997-98 to 2013-14 and during 2015-16 to 2017-18. The Company made profits during 2014-15, 2018-19, 2019-20 and 2020-21. The accumulated loss stood at ₹ 4.35 crore as at the end of March 2021. The management attributed losses to interest liability on loans, inadequate production capacity due to outdated technology, *etc*.

Audit scrutiny of records and analysis of financial statements revealed the following significant factors that had contributed to the losses:

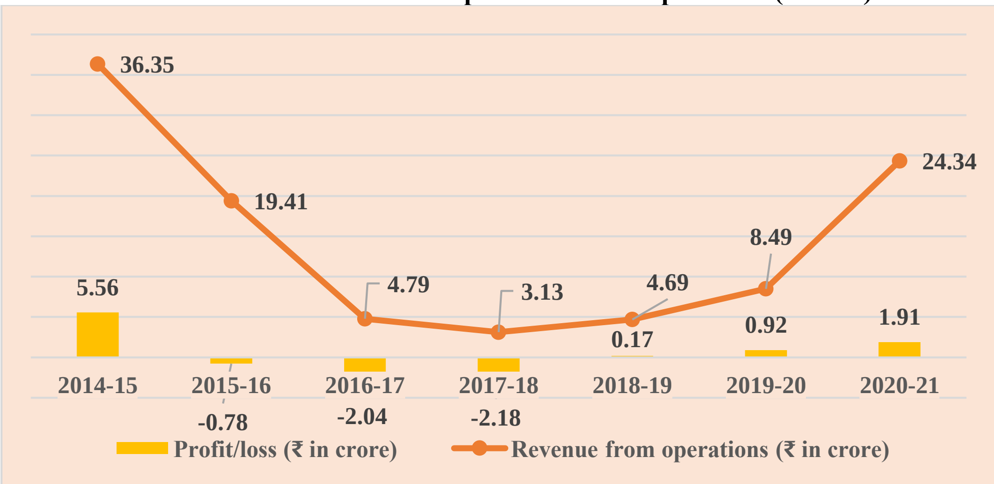
***Dependency on Government institutions***

**2.2.5.1.** The Company carries out sale of coir products through various channels, *viz*. retail outlets, dealership mechanism, exhibitions and a bulk of sales to the government and various institutions. Over 90 *per cent* of the total sales constituted sale of coir products to government institutions. As the Company was unable to compete with the private players in the market, the GoK granted exemption under Section 4 (g) of Karnataka Transparency in Public Procurement (KTPP) Act, 1999 since 2013 which facilitated the Company to supply products directly to the government institutions/entities without necessity of participating in the tenders.

The exemption under the said Act was granted for the period from September 2013 to September 2015. With effect from July 2017, exemption was granted for one year (extended to December 2018) wherein the annual supplies to each procuring entity were limited to ₹ 10 lakh, which was enhanced subsequently (September 2018) to ₹ 20 lakh. The exemption was continued during 2019-20 and 2020-21.

Audit observed that the revenue from operations had fallen drastically during September 2015 to June 2017 due to lack of exemption under Section 4(g) of the Act and limiting the financial value of supplies to ₹ 10 lakh/₹ 20 lakh during subsequent period, as depicted in the chart below:

**Chart No.2.2.4: Revenue and profit/loss from operations (₹ crore)**




It is evident that the sales turnover had fallen by 53 *per cent* (from ₹ 36.35 crore to ₹ 19.41 crore) during 2015-16 and further to 13 *per cent* and to 8.6 *per cent* in 2016-17 and 2017-18 respectively as compared to that in 2014-15. The decreased sales performance was mainly due to non-availability of exemption under Section 4(g) of the Act and limiting the financial value of the supplies. The sales had improved from 2018-19 after restoring the exemption and enhancing the financial limit to ₹ 20 lakh. It is evident that the excessive dependence on the orders from the government institutions alone had negative impact on the Company's long-term performance, as it had not explored the domestic and export market.

In fact, Karnataka Evaluation Authority (KEA), which had evaluated the performance of the Company (1985-86 to 2013-14), reported (February 2017) that the poor financial performance was due to restrictive sales to Government institutions and lack of technological upgradation of manufacturing units. It had recommended to upgrade technology to produce cost effective products, focus on sale of coir mattress in domestic market and sale of coir briquette in domestic and export market, and to focus on promotion of coir industry/ MSMEs by tying up with online market places, providing platforms of markets through national and international exhibitions.

Audit, however, observed that the Company continued to depend on sales to Government institutions without exploring the domestic market, as evident from the sales performance during 2014-15 to 2020-21 (indicated in the chart above). The Company had relied upon exemption from participating in the tenders under KTPP Act. Further, the Company did not progress much in upgradation of technology in the manufacturing units, except that the Company invested ₹ 2.44 crore on replacing existing machinery and installation of automatic machinery at 16 out of 39 units over a period of five years (2016-21).

The Government replied (June 2022) that due to high competition from private players, the Company finds it difficult to compete. The Company is putting efforts to explore the domestic market as well as export by promoting new value added products. It was also stated that the Company has planned to extend its marketing activities through e-market platforms, identifying exporters though invitation of expression of interest, *etc*. The Company also planned to handover the production centres on lease / rent / PPP / JV basis to private parties with necessary approval from the Government.

**The Mysore Sugar Company Limited**

**2.2.6.** The Mysore Sugar Company Limited was incorporated in January 1933 with the primary objective of providing local market for the sugarcane farmers in and around Mandya. The Company was engaged in manufacture of Sugar, Rectified spirit and its by-products (Molasses and Bagasse, *etc*). The Company has two cane crushing mills (A-Mill with 5,000 Tonnes of Cane per Day -TCD and B-Mill with 2,500 TCD) with total crushing capacity 7,500 TCD. The A-Mill was modernised from 2,500 TCD to 5,000 TCD during February 2015, while B-Mill was not operational.

***2.2.6.1. Erosion of net worth and recurring operating cost***

The net worth of the Company, which had the equity investment of ₹ 53.06 crore by the GoK, has been eroded by the accumulated losses of ₹ 463.39 crore as per the latest audited financial statements for the year ended March 2014. As per the provisional data[72] furnished by the Company for the period 2014-15 to 2020-21, the Company incurred recurring operational expenses of ₹ 408.41 crore and sustained loss of ₹ 108.92 crore from operations. The total accumulated losses stood at ₹ 572.31 crore as on 31 March 2021.

Audit scrutiny of records revealed the following observations.

***Non-functional co-generation plant***

**2.2.6.2.** The Company had set up a Electricity Co-generation power plant with a designed capacity of 30 MW, for which trial run operations were carried out during January 2007. The Company had incurred expenditure of ₹ 74.78 crore. However, the plant remained idle since its commissioning due to non-availability of raw material (bagasse) at the rate of 5,000 TCD. As the B-Mill was not in operation and the A-Mill had never been operated to its capacity after its modernization, the required raw material was not available to run the Co-generation plant. The Company incurred ₹ 49.10 crore on modernization of A-Mill and also the GoK bore interest burden of ₹ 59.04 crore for settlement of loan borrowed by the Company from HUDCO for Co-generation plant.

The issue of unfruitful expenditure of ₹ 123.88 crore incurred towards Co-generation plant and modernization of A-Mill was included in the Audit Report of the Comptroller and Auditor General of India on Public Sector undertakings, Government of Karnataka for the year ended March 2015. The issue was discussed (September 2016/February 2022) by the Committee on Public Sector Undertakings (COPU). The recommendations are awaited (May 2022).

***Lack of action on revival***

**2.2.6.3.** The Company was declared sick by BIFR during 2005-06 and a viability study was carried out through an Operating Agency (State Bank of

[72] Unaudited figures.

Mysore). A Draft Rehabilitation Scheme[73] (DRS) was also prepared (January 2015) by the Company as per the directions of BIFR, which was to be examined by the Operating Agency. However, no action was taken on the DRS. Meanwhile, the Government of India (Notification dated 25 November 2016) had given effect to the Sick Industrial Companies (Special Provisions) Repeal Act, 2003 to be effective from 1 December 2016 and consequently National Company Law Tribunal (NCLT) had been established in place of BIFR. The fresh application before NCLT as required by the new enactment was not filed by the Company.

However, the GoK, as a measure towards revival of the Company decided (November 2020) to lease the Company to private operators for 40 years from 2021-22 crushing season on LROT (Lease, Rehabilitate, Operate and Transfer) basis. No further progress was made on this decision (May 2022).

Audit observed that the GoK had infused funds of ₹ 526.51 crore in the form of equity, loan and grants since 2006-07, *i.e.* after the Company was declared sick in September 2005 till 2020-21. During 2006-07 to 2020-21, the Company could manage to crush 31.47 lakh MTs of cane, and during the same period it had suffered loss of ₹ 418.13 crore from operations. The distillery plant and Co-generation plant were not operational. The manpower was reduced to 50 as of March 2021 as a result of voluntary retirement extended by the GoK.

An evaluation study of the performance of the Company conducted (June 2015) by an external agency engaged by GoK attributed losses to significant rise in cost of sugarcane and conversion cost (cost of production of sugar which was ₹ 13,525 per ton during 2006-07 increased to ₹ 22,477 per ton during 2012-13) with average price of realization from sale of sugar remained constant, inefficiencies in operations of old machinery (frequent break down and loss of crushing hours, sub-optimal capacity utilization of Plant and Machinery at less than 40 *per cent*), limited/non-operation of other product lines (distillery/co-gen plant), *etc*.

Thus, despite declaring the Company sick as early as in 2005, it took ten years to finalise Draft Rehabilitation Scheme (January 2015) which ultimately was not implemented. Secondly, no concrete action was taken to address the causes for losses brought out by the evaluation study in June 2015. However, the Government infused funds to the tune of ₹ 526.51 crore during 2006-07 to 2020-21. The Company sustained further losses of ₹ 418.13 crore from the operations during the said period. Thirdly, the decision (November 2020) to lease out the Company to private operators was not implemented.

The matter was referred to Government in March 2022, their reply is awaited (May 2022).

[73] DRS included One Time Settlement approved by the banks and financial institutions, GoK assistance in the form of soft loan/grants, present readiness of the enhanced capacity of sugar mill, stabilisation of Co-gen plant and also the contribution from distillery division without any further investment.

## KPC Gas Power Corporation Limited

**2.2.7.** KPC GAS Power Corporation Limited (KPC GPCL), a fully owned subsidiary of Karnataka Power Corporation Limited (KPCL), was incorporated in April 1996 with an objective of establishment of State's first gas based Combined Cycle Power Plant (CCPP) at Bidadi, Ramanagar District near Bengaluru. KPC GPCL had an accumulated loss of ₹ 33.85 crore as on 31 March 2021.

### *Abnormal delay in completion of CCPP*

**2.2.7.1.** Considering the severe power shortage in 1990s and absence of a dedicated power plant at Bangalore City, GoK approved (May 2001) a proposal for establishing a CCPP project of 700 MW at Bidadi. As the tendering process initiated during April 2010/July 2013 encountered legal challenges, the project was split into two plants of 350 MW each at Bidadi and Yelahanka. However, the project at Bidadi was deferred (June 2017) citing availability of surplus power. The project at Yelahanka was delayed substantially and did not commence its operations as of December 2021, *i.e.* even after lapse of more than 20 years of approval by GoK for the reasons discussed below:

The EPC contract for establishing 350 MW CCPP at Yelahanka was entrusted (November 2015) to M/s. BHEL at an estimated project cost of ₹ 1,571.18 crore, with a scheduled completion period of 30 months, *i.e.*, by May 2018. However, the project completion was delayed due to inability of M/s. BHEL to mobilise required manpower, machineries and materials as appraised (January 2020) to the Board of Directors of KPC GPCL. In fact, the Additional Chief Secretary (Energy) to GoK at the time of discussion (November 2014) regarding supply of equipment on benchmarking basis, took note of the fact of delays in supply/execution of earlier orders/contracts by M/s. BHEL and its inability to handle the workload. Despite noting delays on the part of M/s. BHEL in earlier orders, the project was entrusted to M/s. BHEL. The project was not put into operation as of January 2022, 43 months from the scheduled date (May 2018). The Company had not generated any revenue despite incurring expenditure of ₹ 2,150.70 crore as of January 2022. Audit also observed that as per the budget projection made by KPC GPCL, there was reduction in selling price of power from ₹ 6.35 per unit in 2019-20 to ₹ 5.19 per unit in 2021-22, which would have further ramifications on cost recovery, thereby the Company incurring additional losses.

The Government stated (May 2022) that contract was awarded to M/s. BHEL on MoU basis after obtaining exemption under KTPP Act vide notification dated 1 July 2014 issued by the Finance Department. M/s. BHEL also assured (November 2014) for meeting the project deadlines. The reason for delay in commissioning the project was due to delay in completion of civil works and non-availability of fronts for electro-mechanical works and fire accident occurred during October 2020. KPCL has withdrawn pending civil works and decided to carry out at the risk and cost of M/s. BHEL and also restoration work of gas turbine damaged in fire accident was carried out. With regard to supply of gas and rate per unit of power supply, KPCL is making constant efforts to hold negotiations with GAIL to bring down the cost so as to run the plant on sustainable basis.

The fact remained that the Company opted to award the work to M/s. BHEL despite noting the fact of delays in supply/execution of earlier orders/contracts by M/s. BHEL and its inability to handle the workload. Further, it is evident that the viability of plant operations depended on the procurement price of gas, which has not been materialised yet.

***Unviable Waste to Energy (WtE) power plant***

**2.2.7.2.** The Company planned to set up a 15 MW Waste to Energy power plant at Bidadi based on a proposal received (May 2015) from Bruhat Bangalore Mahanagara Palike (BBMP) and the decision taken (November 2018) by a committee headed by GoK. The project was scheduled to be completed by October 2022. Audit observed that the project could become unviable due to under-recovery of cost as discussed below.

KPCL entered (January 2019) into an MoU with BBMP for supply of 150-200 Tonne per day (TPD) segregated waste free of cost to setup initially 5 MW capacity WtE Plant and to enhance capacity upto 15 MW as and when MSW/RDF supply increases to 500 TPD. The total project cost for 5 MW plant was arrived at ₹ 241.53 crore, of which capital cost stood at ₹ 132.58 crore and operational cost for 10 years at ₹108.95 crore.

The Letter of Award for implementation of 11.5 MW capacity WtE on EPC basis was issued (October 2020) to the successful bidder, *viz*. M/s. ISGEC Heavy Engineering Limited, Noida at ₹ 240 crore, to be completed by October 2022. The works were under progress and expenditure of ₹ 47.80 crore was incurred (January 2022).

Audit observed that the estimated cost per unit was worked out to ₹ 10.20 per unit without BBMP contribution and ₹ 7 per unit with BBMP contribution (50 *per cent* of the capital cost, *i.e.,* ₹ 66.29 crore). For arriving at the cost per unit, O&M expenses of ₹ 36 crore for two years was considered against ₹ 58.76 crore for O&M quoted by bidder, which would further escalate the cost per unit. Meanwhile, KERC proposed a generic tariff of ₹ 5.62 per unit for all the WtE projects commissioned after 01.04.2021. Thus, there would be an under-recovery of cost per unit by ₹ 1.38 making the project unviable.

The Government replied (May 2022) that KERC will be approached for according approval of project specific tariff after completion of the project and a power purchase agreement will be signed with Bangalore Electricity Supply Company Limited based on the approved tariff.

## Conclusions

1. **Transport Corporations (KSRTC, NWKRTC, KKRTC, BMTC):** The Corporations did not effect the fare revision during April 2015 to February 2020 as per automatic fare adjustment formula approved by the Government. The eligible share of expenditure towards concessions

extended to various categories of commuters was restricted to budget provision, thereby there was shortfall in receipt of claims to the extent of ₹ 4,265.80 crore pertaining to the period 2000-01 to 2020-21. The un-recovered cost had increased from ₹ 0.46 to ₹ 13.52 per kilometer operated during 2015-16 to 2019-20. Further, the deferment option for payment of MV Tax did not help the Corporations in recouping their losses as they had to remit the MV Tax once the exemption period expired.

2. **HDBRTS Limited:** The actual operations were carried out through standard premium quality AC buses (Volvo brand) which are relatively less fuel efficient, as against operation of standard buses envisaged in the Detailed Feasibility Report. The fuel efficiency achieved by the AC buses was 2.49 KMs and 2.57 KMs per litre of HSD consumption during 2019-20 and 2020-21 as against 3.50 KMs per litre of HSD consumption envisaged for standard buses. This had impacted the operational efficiency leading to additional operational cost of ₹ 10.01 crore during 2019-21. Further, Non-Ac bus fare was adopted for operating AC buses. Also, the recommendations made by High Power Committee on revision of fares, waiver of MV tax, imposition of public transport fuel cess, *etc.* were not implemented.

3. **Electricity Supply Companies (GESCOM and HESCOM):** As at the end of March 2021, claims amounting to ₹ 6,879.99 crore pertaining to period 2007-08 to 2020-21 against Government were outstanding towards tariff subsidy and other claims. The interest payments on borrowings from banks and financial institutions had increased by 130 *per cent* in HESCOM and 176 *per cent* in GESCOM over a period of six years (2015-16 to 2020-21). KERC observed absence of prompt action in issue and collection of bills from the consumers and has disallowed Late Payment Surcharge of ₹ 2,616.63 crore incurred on power purchase bills.

4. **KPC GPCL:** The Combined Cycle Power Plant at Bidadi has been deferred, while the project at Yelahanka was delayed substantially and did not commence its operations yet (January 2022), against the scheduled date of commissioning by May 2018. The Company incurred significant expenditure of ₹ 2,150.70 crore on the project. Further, there would be under-recovery of cost by ₹ 1.38 per unit in respect of Waste to Energy project at Bidadi, considering generic tariff proposed by KERC.

5. **KSCDCL and MYSUGAR:** The decreased sales performance of KSCDCL was mainly due to lack of technological upgradation of manufacturing units, excessive dependence on the orders from the government institutions and non-exploration of domestic and international markets.

   In respect of MYSUGAR, no concrete steps were initiated despite declaring the Company sick in 2005. The Draft Rehabilitation Scheme submitted by the Company was not implemented. The GoK infused funds to the tune of ₹ 526.51 crore after the Company had been declared sick (2006-07 to 202021). The decision to lease out the Company to private operators in November 2020 did not fructify. An evaluation study by an external agency attributed losses to significant rise in cost of sugarcane and conversion cost with average price of realization from sale of sugar remained constant, inefficiencies in operations of old machineries, limited / non-operation of other product lines (distillery / co-gen plant), *etc*.

**Recommendations**

1. **The Government may release the eligible subsidies to the Transport Corporations and the ESCOMs towards concessions extended to various category of citizens duly considering the applicable norms, rules and regulations. The ESCOMs may further explore the possibility of installing smart meters to the consumers for improving collection efficiency.**

2. **HDBRTS may take appropriate action to implement the recommendations made by the High-Power Committee for ensuring sustainable operations of the project.**

3. **KPC GPCL may expedite the commissioning and operation of 350 MW CCPP at Yelahanka and also ensure that the operations of Waste to Energy Plant at Bidadi are viable by obtaining approval for the project specific tariff from KERC.**

4. **Karnataka State Coir Development Corporation Limited may take measures to modernise its manufacturing units through upgradation of technology and reduce excessive dependence on the Government support by exploring the domestic and international market for sale of coir products.**

5. **The Government may take appropriate steps to address the factors attributable to losses of the Mysore Sugar Company Limited as pointed out in the evaluation study, *viz.* rise in cost of sugarcane and conversion cost, inefficiencies in operations of old machineries, *etc.***

## Bengaluru Metropolitan Transport Corporation

### 2.3. Loss due to non-availment of grant

**The initiative to induct eco-friendly buses by BMTC with financial assistance from Government of India did not materialize as the former changed the typology of the buses after inviting tenders, which not only resulted in loss of central grant of ₹ 170.31 crore but also deprived the city from deriving the intended objective of reduction in air pollution.**

The Government of India extended financial assistance to State Road Transport Corporations for procurement of eco-friendly vehicles. The vision and mission of Bengaluru Metropolitan Transport Corporation (BMTC) aim to adopt environment friendly and sustainable practices and provide safe, better, comfortable, cost effective and eco-friendly transportation facilities. Audit reviewed the related records and findings are discussed below:

### *2.3.1 Non-procurement of electric buses*

BMTC in its 87th Board Meeting (October 2016) approved induction of 150 electric buses with financial assistance from the Department of Heavy Industries and Public Enterprises (DHI) under Phase I of Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME-I) programme to reduce carbon footprint and emissions. BMTC while communicating (November 2016) its views to DHI, on adoption of electric mobility, suggested that long-term hiring basis would be beneficial rather than outright purchase. DHI communicated approval for ₹ 82.23[74] crore as grant-in-aid for procurement of 80 electric buses (December 2017 and March 2018). BMTC invited (December 2017) tenders for supply of 150 electric buses on Gross Cost Contract[75] model (GCC) and Letter of Intent was issued (February and March 2018) to M/s Olectra Greentech Ltd[76]., to operate 80[77] buses. Meanwhile, DHI benchmarked the prices for different models of electric buses and sought (May 2018) acceptance for joint ownership model. After BMTC conveyed (July 2018) its acceptance of joint ownership, DHI released (August 2018) assistance of ₹ 18.69[78] crore towards procurement of electric buses. The condition for release of balance grant was that failure to utilize the grants would entail refund of grant along with 10 *per cent* interest.

However, BMTC in a subsequent meeting (September 2018) decided to scrap the tender and opted for outright purchase of electric buses on the grounds that the GCC model was not favourable as it involved sharing of depot infrastructure with the entity and thereby deprived job opportunity to BMTC drivers. BMTC also sought (September 2018) directions from the Government as to whether the electric buses were to be operated as per the GCC model or outright purchase model. Thereafter, BMTC requested (February 2019) DHI for change of procurement model from the GCC model to outright purchase and also sought extension of period by six months to finalise the procurement process. DHI while rejecting (February 2019) the request insisted on the utilisation of grant by the end of February 2019. Subsequently, BMTC refunded the grant of ₹ 18.69 crore received along with interest amount of ₹ 81.47 lakh.

Audit noted (September 2021) that BMTC decision to persist with outright purchase was injudicious for the following reasons.

1. Decision to adopt the GCC model was taken on the basis of a Stake Holder Consultative Workshop (December 2017) and accordingly tenders were also invited with the assured operation for 200 Km per day which was prescribed in the tender.

[74] ₹ 74.76 crore towards procurement of 80 buses and ₹ 7.47 crore towards charging infrastructure.

[75] System where city bus operation and maintenance are carried out by the private player and payments are made per bus kilometers, per bus, per service hour or combination of any two or all.

[76] Formerly known as M/s Goldstone Infratech Limited.

[77] 60 Nos of 12 Mtr AC buses and 20 Nos of 9 Mtr Non-AC buses.

[78] ₹ 14.95 crore towards procurement of 80 buses and ₹ 3.74 crore towards charging infrastructure.

2. BMTC had communicated its willingness for adoption of proportional ownership as insisted upon by DHI for releasing the first instalment of the assistance i.e., ₹ 18.69 crore. After receipt of the grant too, BMTC carried out detailed comparison of financial implications (September 2018) of GCC vis-a-vis Outright purchase models. The total cost of operation per km on outright purchase basis was higher than that for the GCC Model[79]. The GCC model thus provide a saving of about ₹ 1.07 crore per bus over the contract period.

3. As per the evaluation report (January 2019) done by IISc at the instance of BMTC, the GCC model would have offered lower cost of operation for running more than 193 kms for AC buses and 167 kms for non-AC buses.

4. As per the assessment made by BMTC, the offer received under GCC was the lowest in the country and also less than its prevalent cost of operation of ordinary and AC premium buses.

The GCC model was favoured by various study reports and hence there was no justification for BMTC to seek further direction from the Government about the procurement model to be adopted.

The misplaced priority on part of BMTC resulted in loss of grant of ₹ 82.23 crore and deprived valuable operational inputs that would have accrued before large scale induction.

After this was brought to the notice (December 2021), Government endorsed (April 2022) the reply of the Managing Director, BMTC, which stated (January 2022) that the operational cost per kilometre worked out lesser for outright purchase than the GCC model had the Government announced financial grant or interest subvention and exemption of motor vehicle tax as envisaged in the EV Policy. The reply is not acceptable as comparative analysis and studies done by BMTC showed that the GCC model was more beneficial. Moreover, BMTC had also finalised the tender for GCC model before seeking change in the procurement model. The perceived reduction in operational cost was not absolute and also incorrect as cost would be borne by GOK.

### 2.3.2. Non-procurement of Compressed Natural Gas (CNG) Buses

The guidelines[80] issued (July 2013) by The Ministry of Urban Development (MoUD), Government of India, under Jawaharlal Nehru National Urban Renewal Mission (JnNURM) provided a financial assistance of 35 *per cent* for the CNG buses with the balance being borne by BMTC (50 *per cent*) and GoK (15 *per cent*). In the budget speech (2014), the Chief Minister announced introduction of CNG buses in urban transport vehicles in a phased manner.

Subsequently, BMTC after receipt of communication (September 2014) of approval from MoUD, invited tenders (September 2014) for procurement of 271

[79] ₹ 84.71 per km for outright purchase as against ₹ 60.76 per km for GCC Model.

[80] Guidelines for financing purchase of buses and ancillary infrastructure for urban transport under Jawaharlal Nehru National Urban Renewal Mission (JnNURM).

buses of 400 mm floor height (Semi low floor - SLF) of approximate tender value of ₹ 176 crore, CNG non-AC buses under the extended JnNURM Scheme and only one company offered its quote (M/s Tata Motors). M/s GAIL Gas, a Government of India Undertaking that had created necessary infrastructure for supply of CNG to Bengaluru requested (September 2010) land from BMTC for installation of CNG supply. The 81st Board Meeting of BMTC resolved (May 2015) to provide land, free of cost to GAIL Gas at four[81] Depots for supply of CNG exclusively to BMTC buses. The meeting also resolved (Resolution No 1542) to request MoUD for approval of change in floor height of the buses[82], to cancel the tender floated for 271 buses and to operate a minimum of 10 CNG buses on trial basis in case no favourable reply was received from MoUD. The tender was cancelled (March 2016) as the request was not accepted (September 2015) by MoUD. In the meantime, GAIL Gas commissioned (between September 2016 and December 2017) CNG gas filling stations at the approved locations at a cost of ₹ 17.34 crore which had not been utilised by BMTC though exclusively created for its use.

Audit Scrutiny (July 2021) revealed the following omissions:

1. BMTC issued tenders to procure 400 mm floor height buses and subsequently proposed to change it to 900 mm/1150 mm floor height. Audit noticed that BMTC had also planned to induct 400 mm floor height fossil fuel-based buses and purchased 2156 diesel buses between 2015-16 and 2019-20 at a cost of ₹ 709.76 crore which included high floor buses. Hence, there was no technical justification for seeking modification in floor height for CNG buses.

2. GAIL Gas had proposed several offers for procurement of CNG buses like financing Capex, Opex etc. Besides, based on the request of Minister of Petroleum and Natural Gas for drawing a road map for induction of CNG buses by BMTC and KSRTC (January 2021), instructions were issued (February 2021) by the Chief Minister of Karnataka to the Secretary, Transport Department for taking necessary action. However, BMTC was yet to consider these proposals for procurement of CNG buses thereby rendering the expenditure of ₹ 17.34 crore unfruitful over four years. Moreover, the advantages of green fuel also could not be accrued.

3. The report of study conducted (2015) at the instance of BMTC by CISTUP[83] had concluded that CNG buses were less polluting and more efficient. However, CNG buses, even on a trial basis as resolved in the 81st Board Meeting of BMTC were not procured.

Thus, request for change of typology *i.e.,* floor height of the buses, after calling for tenders culminating in cancellation of tenders resulted in loss of grant

[81] 2 depots at Peenya and 1 each at Hennur, Sumanhalli.

[82] 400 mm floor height (Semi low floor) buses to 900 mm/1150 mm floor height buses.

[83] Centre for Infrastructure, Sustainable Transportation and Urban Planning, Indian Institute of Science.

assistance of ₹ 88.08 crore and non-accrual of benefit of lower emission for six years.

After this was brought to the notice (December 2021), Government replied (April 2022) that the procurement of CNG buses was not financially viable to BMTC in the absence of financial assistance from the Government, GAIL and other sources. The reply is not acceptable as the GOI had provided grants which were not utilised by BMTC and instead a change in typology of buses was sought without any technical justification. Further, M/s GAIL had also proposed alternatives but the same were not pursued by BMTC. Hence, it is incorrect to state that financial assistance was not forthcoming.

Hence, failure to take pragmatic decisions had resulted in loss of financial assistance of ₹ 170.31 crore[84] and consequent non-reduction in air pollution as environment friendly public mobility could not be provided.

***Recommendation:***

**Audit recommends that the Corporation should not forgo grants in future which not only benefits the organisation financially and also public at large.**

**Karnataka Renewable Energy Development Limited**

### *2.4. Loss of revenue from generation*

**Failure to renew the lease period of forest land and non-obtaining prior clearance for approach road from the forest authorities for establishing wind projects at Sogi and Mavinahunda resulted in idling of equipment worth ₹ 65.78 crore for six months to four years without being put to use for generation. The Company had lost revenue of ₹ 30.34 crore.**

Karnataka Renewable Energy Development Limited (the Company) established (2003-04) two wind projects, one at Mavinahunda (Belgaum District) with 2.0 Mega Watt (MW) capacity and another at Sogi, (Bellary District) with 2.5 MW capacity. The Mavinahunda project was operated in a 34.55 hectares (ha) of own/leased revenue land[85], while Sogi project was operated in 18 ha of diverted forest land. As the power generation from these projects yielded more than the estimated levels and there was further potential to enhance the capacity with the existing infrastructural facilities at minimum cost, the Company proposed (September 2005) setting up of two additional wind power projects with 6 Mega Watt (MW) capacity each at Mavinahunda and Sogi.

The Company prepared (March 2009/September 2011) Detailed Project Reports (DPRs) with a projection of net annual generation of 29.24 Million Units (MUs) from both the projects. The tenders (thrice) invited between March 2006[86] and March 2008 and subsequently (two tenders) during August 2012 and October 2013 for execution of the projects did not materialize as they were single bids.

[84] ₹ 82.23 crore for electrical buses + ₹ 88.08 crore for CNG Buses.

[85] 10.27 hectares of leased land and 24.28 hectares of own land.

[86] Prior to preparation of DPRs, three tenders were invited between March 2006 and March 2008

The contract was awarded in April 2015 against the offer received in the sixth tender (invited in August 2014) to M/s. Suzlon Energy Limited (sole qualified bidder) on turnkey basis for a total contract value of ₹ 87.36 crore[87]. The contract included design, manufacture, supply, erection, testing, commissioning, operation and maintenance for a period of three years[88]. As per the terms of contract, projects with the capacity[89] of 8.4 MW and 4.2 MW at Mavinahunda and Sogi respectively were to be completed within twelve months from the date of award of work, *i.e.* by April 2016. As per the terms of contract[90], the Company paid interest free mobilization advance to the contractor to the extent of ₹ 24.67 crore[91] in April 2015, being 30 *per cent* of the contract value and ₹ 41.11 crore[92] in February 2016/October 2017 towards 50 *per cent* of the cost of supply of materials brought to site. However, the projects were commissioned only in March 2018 (Mavinahunda) and May 2020 (Sogi), *i.e.* after lapse of two and four years respectively from the schedule dates.

Audit observed (January 2021) that the DPR of Mavinahunda mentioned (September 2011) the fact that the existing approach road to the project site was not feasible for transporting the equipment and needed widening. Despite knowledge of the fact, the Company had acted upon (July 2015) post-award of contract based on the request (March 2015) of the contractor. As the widening of approach road warranted diversion of forest land (0.94 hectares), the process of obtaining permission from forest authorities took two and half years (December 2017).

Further, in case of project at Sogi, the process of submitting the lease renewal application (December 2013 to August 2015) took eighteen months and further four years for obtaining approval from the forest authorities (January 2019). This had reflected lack of meticulous approach and ineffective follow-up by the Company. The Company did not take up the matter at appropriate levels at management/Government for expediting the forest clearance.

As a result of above lacunae, the projects were commissioned in March 2018/May 2020, after lapse of two and four years from the schedule dates. Consequently, the machinery (wind turbines) brought to site on which ₹ 65.78 crore was invested by the Company, remained unproductive without being put to use for generation for a period of six months to four years (*i.e.* October 2017 to March 2018 for Mavinahunda and February 2016 to May 2020 for Sogi

[87] ₹ 58.88 crore for Mavinahunda and ₹ 28.48 crore for Sogi.

[88] Operation and maintenance commences after expiry of two years' warranty period from the date of commissioning.

[89] The capacity was enhanced considering the advancement of technology and for better utilisation of existing facilities.

[90] As per Clause 16 of the Special Conditions of Contract, 30 *per cent* of the cost was to be paid as mobilization advance against Bank Guarantee, 50 *per cent* of the cost on receipt of materials at site, 15 *per cent* on erection and the balance five *per cent* on successful commissioning of the project.

[91] ₹ 16.61 crore for Mavinahunda and ₹ 8.06 crore for Sogi projects paid on 27 April 2015.

[92] ₹ 27.68 crore for Mavinahunda and ₹ 13.43 crore for Sogi projects paid on 17 October 2017 and 25 February 2016 respectively.

project). Besides, the Company lost out the potential revenue of ₹ 30.34 crore[93] and interest earnings of ₹ 9.61 crore[94] on the advance made to the contractor towards supply of machinery, which was not put to use. More importantly, the objective of enhancing the capacity of power generation, conceived in September 2005, was achieved only in March 2018/May 2020, *i.e.* after lapse of 13 to 15 years.

The Government replied (April 2022) that the projects could not be commissioned within the stipulated time frame due to single bids/high cost tenders and delay in clearance by forest department despite continuous efforts made by the Company. As the life of the project commences only from the date of commissioning/commercial operation, there was postponement of revenue generation.

The argument that the project was delayed due to single/high cost bids is not acceptable considering the significant time taken for materializing the contract (8 years - March 2006 to August 2014) and that the Company had ultimately ended up awarding the contract to a single bid in April 2015. Also, the Company took four years (December 2008 to August 2012) for preparation of DPRs and inviting tenders. With regard to forest clearance, the reply that the Company made continuous efforts for forest clearance is not supported by any evidence. It is also a fact that the Company lost the potential revenue of ₹ 30.34 crore which otherwise could have been earned, had the projects been completed by April 2016 as per the schedule.

***Recommendation:***

**Audit recommends that the Company should ensure preparation of DPRs and obtain required statutory clearances well before the commencement of projects. The bottlenecks, if any, in obtaining timely statutory clearances may be pursued at the appropriate levels of the Management/Government so as to avoid delays in project completion.**

## Karnataka Forest Development Corporation Limited

### *2.5. Unproductive investment on Subabul Plantation*

**Imprudent decision on plantation of Subabul Species for commercial exploitation on a mass scale without waiting for the yield results of the pilot plantation and improper maintenance of plantations resulted in avoidable investment of ₹ 9.25 crore on the plantation project as a whole.**

The Government of Karnataka (GoK) issued a notification in February 2017 banning cultivation and plantation of Eucalyptus in the State. This prompted

[93] Loss is calculated at approved tariff of ₹ 3.26 and ₹ 3.74 per unit for Mavinahunda and Sogi project respectively, considering the actual average monthly generation of 2.65 Million Units (MUs) by these two projects during April 2020 to March 2021. Delay of 24 months (April 2016 to March 2018) for Mavinahunda and 50 months (April 2016 to May 2020) for sogi was considered for arriving at loss of generation.

[94] Interest is calculated at minimum rate of 6 *per cent* per annum on both mobilisation advance and payment on material supply from the scheduled date of completion/actual date of payment, to the date of commissioning of projects.

the Karnataka Forest Development Corporation Limited (KFDCL) to scout for alternate species for meeting the pulpwood requirement and as such Subabul Plantations was opted. In 2016, a pilot project in 40 ha was undertaken in the Bengaluru Division[95]. As per the project report, the Internal Rate of Return was considered at 18.18 *per cent* with the yield pegged at 40 tons, 30 tons and 20 tons per hectare at the end of $4^{th}$, $8^{th}$ and $12^{th}$ year respectively with an expected selling rate of ₹ 3,500 per tonne. KFDCL also approved Package of Practice which prescribed the operations/activities to be followed for raising and maintaining the Subabul Plantations in 2017.

The KFDCL Board approved (March 2017) raising of Subabul plantations in total area of 1,041[96] ha based on promising growth in the pilot project, as claimed by the Board itself. By the end of October 2021, KFDCL incurred an expenditure of ₹ 9.25 crore towards raising of Subabul plantations in total area of 1,041 ha.

The Subabul plantations raised during 2016-17 were due for extraction in the financial year 2019-20. However, the Divisional Manager, Chickmagaluru in his letter (July 2020) to Executive Director, KFDCL, reported that the Subabul Plantations raised from 2016 to 2019 had shown poor growth due to poor rains and recommended for postponing of extraction by three years as the expected yield would not be realised. The Executive Director (ED), Pulpwood division, KFDCL (April 2020/October 2020) in his report to MD, KFDCL adduced poor rains being the primary reason for the poor growth of the Subabul Plantations and also stated that saucering works, removal of weeds and application of fertilisers also needed to be undertaken for proper growth of the plantations and the adoption of data sheet for Subabul Plantations as applicable to Eucalyptus Plantations was incorrect. The ED also stated that in case of poor rains, the farmers provide watering to Subabul Plantations raised in their field which could not be provided by KFDCL as the plantations were raised in forestland. The MD, KFDCL in a meeting (November 2020) with the ED and DMs of Pulpwood Divisions decided not to take up new Subabul plantations from 2021-22.

Considering the recommendations made by various DMs, the extraction was not taken up in 2019-20 as intended in the Project Report.

Audit scrutiny of records (March 2021) revealed the following:

1. The decision to take up additional plantations was based on promising growth stated to be observed in the pilot project of 40 ha undertaken in 2016. As these plantations were just six-months old, adequate growth data to undertake plantations on a commercial scale was not available.

2. Though the survival rate was found to be good, growth of the plantations was not on the expected lines. Despite poor growth being noticed in

[95] At Agaram Block.

[96] 196.4 ha in 2017 and based on the survival rate of 95 per cent of 2017 plantations, 801.7 ha approved for the years 2018 to 2020.

March 2018, Subabul plantations were subsequently raised in an area of 801.7 ha incurring an expenditure of ₹ 7.13 crore, which was avoidable.

3. The Package of Practices (PoP) approved for maintenance of Subabul plantations was interim in nature and did not provide for application of fertilisers, removal of weeds for 2nd, 3rd and 4th year of maintenance. However, it was stated that PoP could take up further operations considering the financial implications. A team from the Indian Tobacco Company, Bhadrachalam (ITC), at the request of KFDCL, visited (March 2018) the Subabul Plantations and recommended taking up weed control by saucering around the plants, application of fertilisers and watering during summer. However, the suggestions were not implemented by KFDCL and the reasons for not undertaking these measures were not on record.
4. The ITC Team during the visit (2018) also observed that the site at Yemmedoddi (Kadur), Chickamagalur Dist., was harsh with rocky subsoil and unlikely to give good yield. Ignoring the advisory, KFDCL took up Subabul plantations in 120.3 hectares at Yemmedoddi between 2018 and 2020 at an expenditure of ₹ 1.20 crore (November 2021) which was avoidable.
5. The extraction was postponed to the eighth year for the plantations raised in 2017 without obtaining approval of the Board.
6. The growth of the Subabul plantations was considered as good until it was due for their extraction and the causes for poor growth after the third year were also not investigated by the Company.

On this being pointed out, Government replied (February 2022) that Psyllid infestation and reproductive growth triggered by longer dry spell were the major reasons for the poor growth of plantations. It was also stated that the evaluation for 2016 plantations was taken up in 2019 and evaluations for 2017, 2018, 2019 plantations were taken up during 2020. These evaluations had indicated good survival percentage but lower yield.

Reply is not acceptable since the possible psyllid infestation[97], requirement of irrigation and flowering issues were red flagged by the ITC Team and despite that, KFDCL did not revise the Package of Practise accordingly. Besides, KFDCL could have avoided taking up fresh plantations in the years 2017 and onwards which was also not done till the results of pilot project was obtained in 2019-20. The injudicious decision had resulted in avoidable investment of ₹ 9.25 crore for raising plantations between 2017 and 2020.

***Recommendation:***

**Audit recommends that the Company should critically study the results of pilot projects and scientifically carry out necessary operations while undertaking such plantation projects.**

[97] Psyllids are small insects that suck plant juices and if such infestations are not controlled the possibility of plant mortality may increase.

## Karnataka State Electronics Development Corporation Limited

### *2.6. Procurement of materials at inflated rates*

**Government incurred loss of ₹ 11.13 crore on account of procurement and supply of non-IT products by KEONICS to Government Department and KEONICS also violated provision of 4(g) exemption issued under Karnataka Transparency in Public Procurements Act.**

The Government *vide* a note (June 2019) directed the Minority Welfare Department (MWD) to provide 15 kg capacity washing machines to hostels under MWD. Also, it was ordered that an appropriate proposal be submitted by obtaining pricelist through Karnataka State Electronics Development Corporation Limited (KEONICS[98]) at a cost of ₹ 15 crore. The Government *vide* another note (March 2020) directed the MWD to procure Semi-automatic Chapati Makers to the hostels.

KEONICS had, therefore, received separate requests from the MWD for supply of 270 Washing Machines (June 2019) and 82 Semi-automatic Chapati Makers (March 2020) to 270 Hostels based on the rates communicated by KEONICS. With respect to Semi-automatic Chapati Makers, there was no direct orders from the Government to obtain price list through KEONICS and yet the supply order was given to KEONICS for supply of the same along with washing machines. On receipt of supply orders, KEONICS floated restricted bids (July 2019 and April 2020) seeking rates from its empanelled Business Associates (BA) and subsequently, Purchase Orders (September 2019 and June 2020) were issued to the following empanelled firms who had quoted the lowest rates.

- M/s Siddartha Agencies for Washing Machines.
- M/s Newgene Security Solutions for Chapati Makers.

KEONICS has practice of empanelment of firms for supply of products or services. According to guidelines/RFP for empanelment, the firms either should be Original Equipment Manufacturer (OEM) or authorised dealers of the products concerned. Audit scrutiny showed that both the above-mentioned firms were neither OEMs nor authorised distributors for any products and thus should not have been empanelled by KEONICS. However, KEONICS empanelled these two firms in violation of the guidelines/EOI norms which allowed them to participate in the restricted bidding process and obtain orders for supply of goods/products.

The materials were supplied directly to the Hostels between July 2020 and July 2021 and KEONICS released ₹ 15.52 crore to the BAs after obtaining the certificates of delivery from the Hostel Authorities.

[98] KEONICS, established in 1976, is involved in imparting IT education and enabled Services, inter alia, providing facility management services to Government organisations, marketing of computer hardware, software, electronic equipment to various Government organisations, e-tendering solution to Government organisations etc.

Audit examined (January 2021) the procurement process followed by KEONICS and the observations in this regard are as detailed below.

1. Government had given 4(g) permission to KEONICS for procurement of goods or services related to IT and IT related products/services only. However, KEONICS through a circular (July 2019) solicited placing of orders by Government Department/Bodies citing 4(g) exemption and in turn MWD placed orders for non-IT related products/services, which was irregular.

2. The washing machines and chapathi makers are consumer durable products which are readily available in the market and their rates are available on the website of manufacturers/authorised dealers (prices as on 06 January 2022). However, Minority Welfare Department (MWD) released ₹ 16.30 crore to KEONICS for supply of 270 washing machines and 82 chapati makers. The rates communicated by KEONICS to MWD were three to four times higher than the rates at which these products were available in the market. Scrutiny of records revealed that neither KEONICS nor MWD made any effort to ascertain the market rate at which these products could be procured. This resulted in a loss of ₹ 10.59 crore as shown in the Table.

**Table No. 2.6.1.: Extra expenditure on account of inflated rates**

**(₹ in lakh)**

| Sl. No. | Item | Nos supplied | Rate per unit | Market rate | Difference | Extra expenditure |
|---|---|---|---|---|---|---|
| 1 | LG Washing Machine | 182 | 4.56 | 1.00 | 3.56 | 647.76 |
| 2 | Starfish Washing Machine | 51 | 4.56 | 2.70 | 1.86 | 94.81 |
| 3 | Semi-automatic Chapati Maker | 82 | 3.09 | 1.20 | 1.89 | 154.77 |
| | **Total** | **315** | | | | **897.34** |
| | Add GST @ 18% | | | | | 161.52 |
| | **Grand Total** | | | | | **1058.86** |

**Source: Compiled by Audit from the details obtained from KEONICS**

3. MWD in their orders for supply of Washing Machines stipulated conditions that price of the machines shall be in accordance with market rates and should be competitive and brand and model details to be communicated by KEONICS. However, information on KEONICS complying with the above was not on record. Also, the invoices issued by the BA i.e., M/s. Siddartha Agencies and the stock certificates collected from the Hostels did not contain the brand and model details. M/s. Siddartha Agencies supplied two brands of washing machines (LG-15 kg capacity and Starfish – 18 kg capacity) to the hostels.

4. As per the conditions laid down in 4(g) exemption, KEONICS was authorised to collect service charges of up-to 5 *per cent* only for

manpower supplies. However, KEONICS collected ₹ 54.49[99] lakh towards Service Charges at 3 or 5 *per cent* for the goods supplied to MWD in violation of the condition.

Procurement and supply of washing machines and chapati makers by KEONICS at inflated rates from non-OEM/un-authorised dealers resulted in loss of ₹ 11.13 crore to the Government besides un-authorised collection of service charges (₹ 54.49 lakh) by KEONICS. Further the 4(g) exemption which was applicable only to IT and IT related products was misused by KEONICS and MWD in this case as the goods purchased were non-IT products. This requires a detailed investigation by the Government for fixing up responsibility and recovery of loss from the concerned.

After the matter was referred to Government (February 2022), the reply of the Government was as follows:

1. The Memorandum of Association of the KEONICS empowers to act as agents/representatives for Indian or overseas manufacturers/Traders of electronic/electrical and mechanical equipment.

2. Original Equipment Manufacturer never supplies the products directly to customers except through agencies/dealers and materials were procured from L1 vendors in consultation with MWD. The cost includes charges towards transportation, installation, electrical/plumbing, traders margin charges, extended warranty *etc*.,

3. After supplying of 65 starfish washing machines, due to COVID-19 lockdown faced shortage in supply of the starfish washing machines, the vendor obtained permission from MWD for supplying equivalent machines (185 numbers). Hostels have received the machines but the vendor neither revealed hostel authorities nor the KEONICS about the specifications of the 185 units but billed for ₹ 4,55,900 per machine on par with starfish washing machine. This was breach of trust and violations of the tender conditions. A notice has been issued (April 2022) to the vendor for refund of excess amount of ₹ 7.77 crore received.

4. The price of Chapati Maker was ₹ 2.20 lakh per unit and the total cost per unit with all other charges including GST works out to ₹ 3,64,325 per unit and not purchased at higher rate.

The reply is not tenable in view of the following:

1. Washing machines and Chapati makers do not fall under IT products category for which 4(g) exemption was granted by Finance Department.

2. The KEONICS failed to ensure that the price offered by the vendors were in accordance with competitive market price as per the condition stipulated by MWD in their work order.

[99] ₹ 38.77 lakh for Washing Machines + ₹ 15.72 lakh for Chapati Makers.

3. The reply regarding that semi-automatic chapati maker was procured from L1 was not accepted as basic rate (₹ 2.20 lakh per unit) was higher the maximum retail price of ₹ 1.20 lakh per unit which would come down in case of bulk purchases.

However, since the demand for recovery of ₹ 7.77 crore from the vendor has been raised, it proves that KEONICS failed to ascertain the actual/competitive market price of the products procured and supplied to MWD.

***Recommendation:***

**Audit recommends that the Government may conduct detailed investigation for fixing up responsibility and to recover the amount paid in excess.**

**Mysore Sales International Limited**

### *2.7. Unproductive investment on import of river sand*

**Import of sand without studying market conditions and feasibility of sale rendered stock worth ₹ 21.14 crore idle for four years and investment of ₹ 10.57 crore unproductive.**

The Board of Directors (Board) of Mysore Sales International Limited[100] (MSIL/the Company) in their meeting dated 15 May 2017 deliberated that in order to tide over the crisis for natural river sand used in construction industry in the state, the Department of Mines and Geology had suggested the Company to explore alternate sources by importing sand from other preferential countries and to facilitate for wholesale/retail sale across the state. The Board, after deliberations, approved (May 2017) for importing the sand from preferential countries by floating global tenders and to trade under 'MSIL' brand.

Accordingly, the Company floated (May 2017) global tenders for supply of 3 lakh metric tonnes (MTs) of natural river sand per month for a period of five years. The delivery of initial consignment was to be made in a staggered manner at the rate of 50,000 MTs initially for 10 months in 10 shipments. The estimated value of the tender was indicated as ₹ 150 crore for the initial consignment (*i.e.* ₹ 3,000 per MT). Against which, the contract was awarded (July 2017) to a sole qualified bidder, *viz*. M/s. Poseidon FZE[101] (the supplier), UAE at ₹ 2,300 per MT[102]. The price was revised subsequently to ₹ 2,100 per MT[103].

[100] A State Public Sector Undertaking which deals with marketing of various products and services.

[101] A consortium of M/s.Kumpulan Semesta Sdn Bhd, a Malaysian Government owned company, M/s.Krishnapatnam Port Company Limited and M/s.Dhanveir Porting Private Limited, Chennai.

[102] Price excluded railway freight (₹ 814 per MT from Krishnapatnam Port to places designated by the Company) and GST (₹ 155.70 per MT).

[103] Price was revised due to change in mode of sale from bagged sand to unbagged/in bulk sand as per the directives (September 2018) of the Government of Karnataka. Price excluded railway freight of ₹ 814 and GST of 5 *per cent* per MT.

The Company placed (July 2017/December 2017) two purchase orders to the supplier and imported a total quantity of 1,03,872.77 MTs of sand worth ₹ 25.09 crore[104] and stocked at Krishnapatnam Port in Andhra Pradesh. An amount of ₹ 14.52 crore was paid to the supplier (between November 2017 and May 2018), with the remaining cost to be paid after lifting the stock from the Port.

In this connection, Audit made (December 2019/September 2020) the following observations:

1. The decision to award the contract to a sole qualified bidder (M/s. Poseidon FZE) was in violation of the Circular dated 3 December 2002 issued under the Karnataka Transparency in Public Procurement (KTPP) Act, 1999, which stipulated that where there was single bid/lack of competition or where the lowest evaluated responsive bid is substantially above the estimated cost, first choice should be rejection of tender and re-invitation of a fresh tender. Further, the basis for the estimated amount of ₹ 150 crore put to tender was not kept on record;

2. The Company received the first consignment of 54,190 MTs of sand in October 2017 against the purchase order placed in July 2017 and could sell only 935 MTs in January 2018. Meanwhile, the Company placed the second purchase order in December 2017, against which it had received 49,682.77 MTs in January 2018. The Company sold only 14,759 MTs out of the total quantity of 1,03,872.77 MTs of sand imported in the first and second consignments and realised ₹ 3.95 crore. The remaining stock of 89,113.77 MTs of sand lying at Krishnapatnam Port remained unsold (April 2022).

   Audit observed that the decision to place the second purchase order was not prudent, as neither any quantity out of the first consignment was sold nor were there any orders on hand at the time of placing the order. Moreover, as per the terms of contract (*Clause 9.4* of General Conditions of Contract attached to Purchase Order), the Company had right to alter the schedule of shipment based on demand and supply at the domestic market, which was not subjected to objection/dispute by the supplier. Audit further observed that the Company had not only incurred indirect expenses of ₹ 1.90 crore[105] as of March 2021 but also incurred loss of ₹ 5 crore towards impairment of stock[106]. The Company could have avoided idle stock atleast to the extent of 49,682.77 MTs (second consignment) valued at ₹ 10.96 crore, had the second purchase order not been placed;

3. The reasons for poor sales was on account of venturing into a new business merely based on the demand supply gap projected by the Department of Mines and Geology, without prior independent analysis

[104] 1,03,872.77 MTs @ ₹ 2,300 per MT +GST for bagged sand and ₹ 2,140/2,100 per MT + GST for bulk sand as confirmed in the Company's reply dated 15.2.2021.

[105] As per the special Audit Report dated 3 September 2021 by M/s N Hegde & Associates, Chartered Accountants. Nature of indirect expenses is not available.

[106] The loss was recognised in the books of accounts of the Company towards impairment of value of stock as at 31 March 2021.

of market conditions and feasibility of sale, especially in view of existence of grey market and availability of alternate material (m-sand[107]) at cheaper rate in the market. Further, as part of contract[108], M/s. Ocean Agencies was appointed (October 2017) to carryout C&F and logistics from the port of discharge to various CIF destinations of the Company. However, the role of M/s. Ocean Agencies was extended subsequently through a supplementary agreement (1 March 2019) to act as sole selling agent, without assessing its capabilities through tender. Moreover, no specific sales targets were fixed to the agent. Thus, the Company had to rely solely on a single agency for disposal of stock, which further contained the prospects of liquidating the stock. The poor planning of the Company had reflected in meagre sales (14,759 MTs, 14 *per cent* of total imports) made over a period of four years of import (October 2017 to October 2021).

Thus, the Company's decision to import sand without studying the market conditions, feasibility of sale and appointment of sole selling agent without assessing its capabilities and without fixing any time bound targets for liquidating the stock, had resulted in idle stock of 89,113.77 MTs valued at ₹ 21.14 crore for four years and had lost ₹ 5 crore due to diminution in value of stock. The investment in the form of advance payment of ₹ 10.57 crore[109] made to the supplier remained unproductive without any return resulting in interest loss of ₹ 2.48 crore[110]. More importantly, the objective of import of river sand to meet the demand supply gap as projected has not been achieved even after lapse of four years.

The Government replied (May 2022) that the supply contract was awarded to the substantially responsive bidder in due compliance with KTPP Act. The Circular dated 3 December 2002 referred to above was not applicable to the present tender as supply of natural river sand does not fall under the category of works contract. In the instant case, two tenderers participated, though tender ultimately turned out to be a single bid as one tenderer was found to be non-responsive. With regard to placing second purchase order, the Government while admitting the lapse, stated that necessary rectification has been carried out by not issuing further purchase order. It was further stated that a final notice was issued to M/s. Ocean Agencies on 12 November 2021 for clearing the stock from the Krishnapatnam Port before 31 March 2022, and a Legal Notice (7 May 2022) to M/s. Poseidon FZE calling upon them to dispose off the natural river sand within 15 days, failing which legal action would be initiated.

The reply that the provisions of KTPP Act does not apply to the present contract is not acceptable. Paragraphs 5.1 and 5.2 of the Circular dated 3 December 2002 mandated the applicability of instructions to all procurement entities as defined under the Act for procuring works/goods through competitive tendering.

[107] M-sand which is used an alternative to river sand in construction, is an artificial sand produced from crushing hard stones.
[108] *Clause 12* of General Conditions of Contract.
[109] Total advance paid ₹ 14.52 crore less revenue of ₹ 3.95 crore realised from sale.
[110] Interest is calculated on ₹ 10.57 crore at minimum interest rate of 6 *per cent per annum* for 47 months from the last date of payment (May 2018) to April 2022.

Moreover, as per circular issued (20 March 2017) by the GoK, if several bids were received at the initial stage before technical qualification, but only one bidder qualifies for commercial/financial bid, it should be treated as a single bid. Further, the stock was not lifted by M/s Ocean Agencies even as of 30 April 2022, yet the Company did not initiate any legal action. Thus, the stock of 89,113.77 MTs of sand valued at ₹ 21.14 crore lying at Krishnapatnam Port remained unsold since four and half years of purchase (October 2017 to April 2022), which also resulted in diminution in value of stock by ₹ 5 crore.

***Recommendation:***

**Audit recommends for fixing responsibility for the lapses which caused loss to the Company and to explore the possibility of disposing the sand for use in the works executed by the Government bodies (*viz.* Public Works Department, Water Resources, *etc*). The Company should initiate action on the supplier and the selling agent as per the terms of contract.**

**Karnataka State Textile Infrastructure Development Corporation Limited**

### *2.8. Undue benefit to Karnataka State Cricket Association*

**Fixation of price of land at much lower rate than that prevailed in the market resulted in extension of undue favour to Karnataka State Cricket Association by ₹ 4.05 crore.**

The President of Karnataka State Cricket Association (KSCA) approached (January 2014) the Deputy Commissioner (DC), Gadag District to provide land of around 15 acres in Gadag for construction of a cricket stadium to encourage local cricket players. In a meeting chaired by the Minister for Rural Development and Panchayat raj, it was decided (May 2015) to grant land to the extent of 12 acres to KSCA out of 35 acres 34 guntas of land which was in possession of Karnataka State Textile Infrastructure Development Corporation Limited[111] (the Company). The Managing Director of the Company furnished (November 2015) a "No Objection Certificate" to the Government of Karnataka (GoK) for transferring the land to KSCA. Subsequently, the Board of Directors of the Company approved (January 2016/May 2016) transfer of land (12 acres) to KSCA and noted that the transfer of land at market rate as per prevailing Land Acquisition Act was under consideration of the Government.

Accordingly, the GoK gave its administrative approval (28 May 2016) for transferring 12 acres out of 35 acres 34 guntas belonging to the Company to KSCA with the following conditions:

i. KSCA to purchase 12 acres of land by paying the prevailing market rate of the land fixed by the Deputy Commissioner, Gadag as per the New Karnataka Land Acquisition Act (The Right to Fair Compensation and

[111] The land at Narasapur, Gadag belonging to M/s. Gadag Co-operative Industrial Estate Limited (GCIEL) was entrusted (March 2002) to the Company by the GoK. Title of the land was not transferred in the name of the Company (January 2022).

Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013). The sale proceeds to be remitted to the Company;

ii. to construct the cricket stadium within two years failing which the land would be returned to GoK.

The land was registered (July 2016) in the name of the Secretary, KSCA[112] for a total consideration of ₹ 75 lakh at the rate of ₹ 6.25 lakh per acre. The price of the land was determined by the DC, Gadag earlier during June 2015 considering the cost of land acquisition and developmental cost incurred by Karnataka Industrial Area Development Board (KIADB).

Audit observed (March 2020) that the price of ₹ 6.25 lakh per acre at which the land was transferred to KSCA was determined without considering the prevailing market in accordance with *Clause 26* and *Clause* 30 of Chapter IV of New Karnataka Land Acquisition Act as stipulated in the administrative approval of GoK. Considering the prevailing market price of ₹ 10 lakh per acre fixed[113] by KIADB for sale of developed land at Narasapur, Gadag, the total minimum consideration payable by KSCA for 12 acres would work out to ₹ 1.20 crore. Further, as per the New Land Acquisition Act, 2013, the price for the purpose of land acquisition in rural areas was to be fixed considering the market value of land (to be determined as per Section 26[114]) multiplied by the factor 'two' *plus* solatium at the rate of 100 *per cent* of the market value of land. Considering these factors into consideration, the price for 12 acres of land works out to ₹ 4.80 crore[115].

Thus, the decision to transfer the land to KSCA at ₹ 6.25 lakh per acre was not justified and was in violation of the conditions stipulated in the administrative approval of GoK. This had led to undue favour to KSCA by ₹ 45 lakh (at the rate of ₹ 10 lakh per acre). The consideration payable would increase to ₹ 4.05 crore (₹ 4.80 crore *less* ₹ 75 lakh), if the factors as per New Land Acquisition Act were considered. Further, KSCA had violated one of the conditions of transfer of land that the stadium was to be completed within two years of allotment, as the construction of stadium has not been commenced yet (April 2022), even after lapse of more than five years of registration of land (July 2016). However, the Company did not take re-possession of land from KSCA.

The Government stated (May 2022) that the price of the land should have been fixed at ₹ 4.80 crore as per the New Land Acquisition Act and a proposal has been submitted to the Secretary to Government, Commerce & Industries

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112 The Sale Deed was signed by the Chairman, GCIEL pending transfer of land in the name of the Company.

113 This represents tentative price fixed by KIADB as of 31 December 2016 (last revised during March 2012).

114 Value was to be determined considering (a) market value, if any, specified in the Indian Stamp Act, 1899 (2 of 1899) for the registration of sale deeds or agreements to sell in the area, where the land is situated; or (b) the average sale price for similar type of land situated in the nearest village or nearest vicinity area; or (c) consented amount of compensation as agreed upon under sub-section (2) of section 2 in case of acquisition of lands for private companies or for public private partnership projects, whichever is higher.

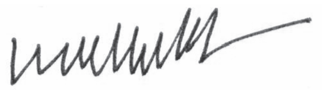
115 ₹ 10 lakh per acre × 2 (factor as per First Schedule of Act) + 100 *per cent* solatium.

Department to refix the land cost accordingly and to direct KSCA to pay the differential price to the Company. The process involved in determination of the land cost by the Deputy Commissioner of Gadag was not carried out in consultation with the Company and the decision with regard to repossession of land from KSCA for not fulfilling the conditions of allotment has to be taken by the Government.

The fact remained that the Company failed to ensure the price for the land was determined as per the prevailing market rates in line with the New Karnataka Land Acquisition Act and subsequently to take repossession of the land despite default by KSCA to construct the stadium. This was in violation of administrative approval of the GoK.

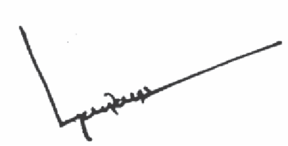
***Recommendation:***

**Audit recommends to initiate action to take repossession of the land from KSCA as per the conditions of transfer of land stipulated in the administrative approval of the Government of Karnataka.**



**Bengaluru** **(Vimalendra A. Patwardhan)**
**The** **Principal Accountant General (Audit-II)**
**Karnataka**

**Countersigned**



**New Delhi** **(Girish Chandra Murmu)**
**The** **Comptroller and Auditor General of India**

# Appendices

## *Appendix - 1*
### *(Referred to in Paragraph No.1.4 of Chapter I of Part I)*
### Grants indicating persistent savings

**(₹ in crore)**

| Sl. No. | Number and name of the grant | Amount of savings | | | | |
|---|---|---|---|---|---|---|
| | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| **Revenue (Voted)** | | | | | | |
| 1 | 5-Home and Transport Department | 13.15 (0) | 36.39 (1) | 401.87 (5) | 576.26 (7) | 1,253.26 (12) |
| 2 | 6-Infrastructure Development | 11.98 (47) | 6.56 (73) | 0.28 (3) | 0.15 (0) | 19.89 (19) |
| 3 | 8-Forest, Ecology & Environment | 32.09 (2) | 83.80 (5) | 115.48 (7) | 86.43 (5) | 266.79 (16) |
| 4 | 15-Information Technology | 0.80 (0) | 0.60 (0) | 0.46 (0) | 66.57 (34) | 0.63 (0) |
| 5 | 16-Housing | 259.51 (7) | 492.58 (11) | 915.89 (24) | 467.63 (13) | 835.29 (29) |
| 6 | 18-Commerce and Industries | 37.43 (4) | 133.47 (13) | 132.13 (11) | 239.65 (18) | 120.45 (8) |
| 7 | 19-Urban Development Department | 673.13 (7) | 767.74 (7) | 353.14 (4) | 940.19 (9) | 1,241.56 (14) |
| 8 | 20-Public Works | 0 (0) | 202.42 (7) | 102.50 (3) | 596.68 (18) | 211.01 (7) |
| 9 | 25-Kannada and Culture | 35.62 (11) | 38.89 (10) | 82.02 (26) | 28.54 (12) | 23.39 (12) |
| 10 | 27-Law | 72.89 (11) | 79.63 (10) | 59.28 (6) | 61.67 (6) | 159.06 (14) |
| **Revenue (Charged)** | | | | | | |
| 1 | 5-Home and Transport Department | 0.37 (8) | 0.36 (16) | 0.03 (0) | 0.02 (0) | 0.01 (5) |
| 2 | 8-Forest, Ecology & Environment | 146.34 (49) | 0 (0) | 358.62 (93) | 19.81 (98) | 4.65 (23) |
| 3 | 16-Housing | 0.67 (1) | 0 (0) | 0 (0) | 0 (0) | 1.74 (1) |
| 4 | 19-Urban Development Department | 0.12 (25) | 0 (0) | 620.38 (100) | 675.91 (100) | 0 (0) |
| 5 | 20-Public Works | 10.74 (39) | 0 (0) | 17.88 (56) | 27.81 (70) | 41.65 (78) |
| 6 | 27-Law | 0 (0) | 0 (0) | 63.44 (9) | 46.17 (18) | 48.12 (18) |
| **Capital (Voted)** | | | | | | |
| 1 | 5-Home and Transport Department | 0 (0) | 12.54 (2) | 108.46 (13) | 101.24 (12) | 57.71 (7) |
| 2 | 6-Infrastructure Development | 5.12 (0) | 21.26 (3) | 37.74 (6) | 41.56 (7) | 150.30 (20) |
| 3 | 8-Forest, Ecology & Environment | 0.57 (1) | 10.00 (50) | 0.14 (1) | 50.35 (43) | 47.85 (9) |
| 4 | 18-Commerce and Industries | 54.42 (12) | 41.15 (4) | 576.29 (38) | 416.18 (37) | 38.45 (3) |
| 5 | 19-Urban Development Department | 1,338.68 (28) | 268.73 (5) | 328.40 (6) | 3,380.77 (38) | 1,896.82 (19) |
| 6 | 20-Public Works | 532.90 (7) | 45.44 (1) | ,1147.20 (13) | 1,388.49 (17) | 859.34 (9) |
| 7 | 24-Energy | 41.12 (4) | 0 (0) | 12.95 (1) | 0 (0) | 8.23 (1) |
| 8 | 25-Kannada and Culture | 2.34 (8) | 2.26 (4) | 12.27 (30) | 80.27 (62) | 20.56 (32) |
| 9 | 27-Law | 0 (0) | 0.50 (1) | 1 (40) | 0 (0) | 0(0) |
| **Capital (Charged)** | | | | | | |
| 1 | 5-Home and Transport Department | 0 (0) | 0.01 (0) | 0 (0) | 0 (0) | 0 (0) |
| 2 | 16-Housing | 0 (0) | 0.74 (0) | 0.01 (0) | 0.03 (0) | 0 (0) |
| 3 | 19-Urban Development Department | 0.39 (9) | 0 (0) | 0 (0) | 0 (0) | 0 (0) |
| 4 | 20-Public Works | 14.08 (33) | 0 (0) | 0 (0) | 0 (0) | 0 (0) |

**Note:** Figures in brackets indicate percentage of savings to total provision
**Source:** Appropriation Accounts of relevant years.

## *Appendix - 2*

### *(Referred to in Paragraph No. 1.7 and 1.11 of Chapter I of Part I)*

### Annual return on review of entrustment of autonomous bodies audited under Section 19(2), 19(3) and 20(1) of the C&AG's (DPC) Act, 1971

| Sl. No. | Name and Address of Institution audited under Section | Period of entrustment of audit by Govt | Year up to which accounts rendered | Year up to which audit report issued | Placement of audit reports before the Legislature | Year to which accounts due | Period of delay in submission of accounts up to 30th June 2021 |
|---|---|---|---|---|---|---|---|
| 1 | Karnataka Slum Development Board, Bangalore u/s 19(3) | 2017-18 to 2021-22 | 2020-21 | 2019-20 | 2018-19 | --- | --- |
| 2 | Bangalore Water Supply and Sewerage Board, Bangalore u/s 19(3) | 2017-18 to 2021-22 | 2018-19 | 2018-19 | 2018-19 | 2019-20 | 12 months |
| 3 | Karnataka Housing Board u/s 19(3) | 2016-17 to 2020-21 | 2019-20 & 2020-21 | 2018-19 | 2017-18 | --- | --- |
| 4 | Karnataka Urban Water Supply & Drainage Board u/s 19(3) | 2020-21 to 2024-25 | 2019-20 | 2018-19 | 2018-19 | --- | --- |
| 5 | Bengaluru Development Authority u/s 19(3) | 2020-21 to 2024-25 | 2020-21 | 2019-20 | 2018-19 | --- | --- |
| 6 | Karnataka State Legal Services Authority u/s 19(2) | 19 (2) | 2019-20 | 2018-19 | 2017-18 | --- | --- |
| 7 | Karnataka State Human Rights Commission Bengaluru u/s 19(2) | 19 (2) | 2020-21 | 2020-21 | 2018-19 | --- | --- |
| 8 | Karnataka Real Estate Regulatory Authority u/s 19(2) | 19 (2) | 2017-18 & 2018-19 | --- | --- | --- | 12 months |
| 9 | Karnataka Biodiversity Board u/s 20(1) | 2014-15 (Onwards) | 2019-20 | 2019-20 | 2018-19 | --- | --- |
| 10 | Compensatory Afforestation Fund Management and Planning Authority u/s 20(1) | 2009-10 (onwards) | 2016-18 | 2015-16 | -- | 2019-20 | 29 months |
| 11 | Karnataka Industrial Areas Development Board u/s 19(3) | 2019-20 to 2023-24 | 2019-20 | 2018-19 | 2017-18 | 2020-21 | 6 months |
| 12 | Karnataka State Khadi and Village Industries Board u/s 19(3) | 2017-18 to 2021-22 | 2019-20 | 2018-19 | 2018-19 | 2020-21 | 7 months |
| 13 | Karnataka Electricity Regulatory Commission u/s 19(2) | 19 (2) | 2019-20 | 2019-20 | 2018-19 | 2020-21 | 3 months |

## *Appendix - 3*
## *(Referred to in Paragraph No.1.10.1 of Chapter I of Part I)*
**Year-wise breakup of outstanding Inspection Reports and Paragraphs issued up to 31st March 2021**

| Sl. No | Department | Less than One Year | | 1 to 2 years | | 2 to 5 years | | 5 to 10 years | | More than 10 years | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | No. of IRs | No. of Paras | No. of IRs | No. of Paras | No. of IRs | No. of Paras | No. of IRs | No. of Paras | No. of IRs | No. of Paras | No. of IRs | No. of Paras |
| **1** | Forest & Ecology & Environment | 25 | 254 | 34 | 395 | 74 | 501 | 140 | 578 | 0 | 0 | **273** | **1,728** |
| **2** | Transport | 25 | 245 | 44 | 215 | 132 | 509 | 93 | 183 | 2 | 3 | **296** | **1,155** |
| **3** | Public Works Department | 55 | 567 | 46 | 329 | 165 | 1,023 | 158 | 545 | 0 | 0 | **424** | **2,464** |
| **4** | Infrastructure Development | 2 | 15 | 2 | 13 | 6 | 44 | 5 | 20 | 0 | 0 | **15** | **92** |
| **5** | Information Technology, Bio-Technology and Science & Technology | 1 | 5 | 1 | 7 | 8 | 56 | 9 | 35 | 0 | 0 | **19** | **103** |
| 6 | Home Department | 0 | 0 | 5 | 42 | 47 | 551 | 73 | 237 | 57 | 88 | **182** | **918** |
| 7 | Housing Department | 1 | 33 | 0 | 0 | 6 | 118 | 24 | 194 | 63 | 105 | **94** | **450** |
| 8 | Urban Development Department | 3 | 55 | 23 | 262 | 29 | 290 | 62 | 347 | 83 | 148 | **200** | **1,102** |
| 9 | Law Department | 0 | 0 | 0 | 0 | 76 | 492 | 43 | 154 | 155 | 321 | **274** | **967** |
| 10 | Industries and Commerce | 0 | 0 | 22 | 106 | 31 | 168 | 34 | 195 | 8 | 10 | **95** | **479** |
| 11 | MSME & Mines | 5 | 70 | 27 | 224 | 26 | 106 | 56 | 265 | 1 | 2 | **115** | **667** |
| 12 | Tourism | 0 | 0 | 15 | 80 | 1 | 14 | 4 | 106 | 0 | 0 | **20** | **200** |
| 13 | Factories and Boilers | 0 | 0 | 6 | 29 | 1 | 2 | 0 | 0 | 0 | 0 | **7** | **31** |
| 14 | Endowment | 0 | 0 | 5 | 74 | 2 | 18 | 4 | 38 | 2 | 4 | **13** | **134** |
| 15 | Kannada & Culture | 0 | 0 | 15 | 76 | 21 | 115 | 40 | 243 | 33 | 89 | **109** | **523** |
| 16 | Energy | 0 | 0 | 6 | 18 | 17 | 37 | 0 | 0 | 0 | 0 | **23** | **55** |
| | **Total** | **117** | **1,244** | **251** | **1,870** | **642** | **4,044** | **745** | **3,140** | **404** | **770** | **2,159** | **11,068** |

# *Appendix - 4*

## *(Referred to in Paragraph No.1.10.2 of Chapter I of Part I)*

**Details of Departmental Notes pending as of 31 March 2022 (Excluding General and Statistical Paragraphs)**

| Sl. No. | Department | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Forest, Ecology & Environment | | | | | | | | | | | | | | | | 3 | **3** |
| 2 | Transport | 5 | 1 | 1 | 4 | 4 | 4 | 2 | 3 | 3 | 1 | | | 2 | | | | **30** |
| 3 | Public Works Department | | | | | | | | | | | | | 2 | 1 | | 2 | **5** |
| 4 | Information Technology, Bio-Technology and Science & Technology | | | | | | | | | | 1 | | | | | | | **1** |
| 5 | Urban Development | 1 | 1 | | 1 | | | 1 | | | | | | | 1 | | | **5** |
| 6 | Home | | | | | | | | 1 | | | | | | | | | **1** |
| 7 | Industries and Commerce | | | | | | | | 1 | | | 4 | | | | | | **5** |
| 8 | Kannada and Culture | | | | | | | | | | | | | | | 1 | | **1** |
| 9 | Mines and Geology | | | 1 | | 1 | 1 | 3 | | 1 | 5 | 2 | 5 | 3 | 3 | 1 | 1 | **27** |
| | Total | **6** | **2** | **2** | **5** | **5** | **5** | **6** | **5** | **4** | **7** | **6** | **5** | **7** | **5** | **2** | **6** | **78** |

## *Appendix - 5*
## *(Referred to in Paragraph No.1.10.3 of Chapter I of Part I)*
## Paragraphs to be discussed by the PAC

| Sl. No. | Department | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Forest, Ecology & Environment | 1 | | | | 1 | | | | 1 | | | 1 | 3 | 1 | | 3 | **11** |
| 2 | Transport | 5 | 1 | 1 | 4 | 4 | 4 | 2 | 3 | 3 | 1 | | | 2 | | | | **30** |
| 3 | Public Works Department | | | | | | | | | | 5 | | | 5 | 1 | | 3 | **14** |
| 4 | Infrastructure Development, Ports & Inland Water Transport | 1 | | | | | | | | | | | | | | | | **1** |
| 5 | IT BT and Science & Technology | 2 | | | | | | | | | 2 | | | | | | | **4** |
| 6 | Home | | | | | | | | 1 | | | 1 | | | | | | **2** |
| 7 | Housing | | 1 | 1 | | | | | | | 1 | 1 | | | | 1 | 1 | **6** |
| 8 | UDD | 1 | 1 | | 2 | 1 | | 1 | 3 | 2 | 1 | | | 2 | 2 | | | **16** |
| 9 | Industries and Commerce | | | | | | 1 | | 1 | | | 1 | 2 | | 1 | | | **6** |
| 10 | Kannada and Culture | | | | | | | | | | | | | | | 1 | | **1** |
| 11 | Mines and Geology | | | 1 | | 1 | 1 | 3 | | 1 | 5 | 2 | 5 | 3 | 3 | 1 | 1 | **27** |
| 12 | Tourism | | | | | | | | | | | | 1 | | 1 | | | **2** |
| | **Total** | **10** | **3** | **3** | **6** | **7** | **6** | **6** | **8** | **7** | **15** | **5** | **9** | **15** | **9** | **3** | **8** | **120** |

## *Appendix - 6*
### *(Referred to in Paragraph No.2.1 of Chapter II of Part I)*
### Pictures showing incomplete structures under Kaniminike Phase I

**Photo:1**

**Partial super structure 1BHK block**

**Photo:2**

**Water clogging in 1BHK flat**

**Photo:3**

**Partial 2BHK Block**

**Photo:4**

**Partial 3BHK Block**

## *Appendix - 7*
### *(Referred to in Paragraph No.2.4 of Chapter II of Part I)*
### Details showing extra expenditure incurred for polymer protective coating

| Sl No | Name of Package | RA Bill Details | Diameter of the pipe (mm) | Quantity Executed in Square Meters | Rate / Sqmt (₹ ) | Expenditure ( in ₹) | RA Bill Payment date |
|---|---|---|---|---|---|---|---|
| 1 | GBS-1 | 18th RA Bill | 900 | 4989.00 | 2399.00 | 11968611.00 | Aug-18 |
| | | | | 510.32 | 2399.00 | 1224257.68 | |
| | | | | 500.98 | 2399.00 | 1201851.02 | |
| | | | | 357.86 | 969.84 | 347066.94 | |
| | | | | 3365.00 | 2399.00 | 8072635.00 | |
| | | | | 682.63 | 2399.00 | 1637629.37 | |
| | | | | 13.24 | 1185.10 | 15690.72 | |
| 2 | GBS-2A | 20th RA Bill | 400-800 | 10742.93 | 1409.00 | 15136788.37 | Feb-18 |
| 3 | GBS-2B | 24th RA Bill | >900 | 2393.95 | 629.00 | 1505794.55 | Dec-15 |
| 4 | GBS-2C | 20th RA Bill | 400-800 | 2805.37 | 780.00 | 2188188.60 | Jul-16 |
| | | | >900 | 1799.54 | 800.00 | 1439632.00 | |
| 5 | GBS-2D | 31st RA Bill | >900 | 24341.34 | 202.70 | 4933989.62 | Jul-16 |
| 6 | GBS-3A | 25th RA Bill | 400-800 | 1019.96 | 1800.00 | 1835928.00 | Mar-18 |
| 7 | GBS-3B | 45th RA Bill | 400-800 | 3592.30 | 1150.00 | 4131145.00 | Mar-18 |
| 8 | GBS-3D | 17th RA Bill | 400-800 mm | 3013.44 | 1300.00 | 3917472.00 | Mar-15 |
| | | | >900 | 1000.00 | 1300.00 | 1300000.00 | |
| 9 | GBS-3E | 23rd RA Bill | 400-800 | 467.08 | 1400.00 | 653912.00 | Mar-16 |
| | | | >900 | 3348.00 | 1300.00 | 4352400.00 | |
| | | | | 1880.00 | 1300.00 | 2444000.00 | |
| 10 | GBS-3F | 20th RA Bill | 400-800 | 4512.64 | 648.00 | 2924190.72 | Aug-16 |
| | | | >900 | 1600.00 | 648.00 | 1036800.00 | |
| | | | | 400.00 | 648.00 | 259200.00 | |
| | | | | 1239.93 | 648.00 | 803474.64 | |
| 11 | GBS-4A | 22nd RA Bill | 400-800 | 8018.20 | 648.00 | 5195793.60 | Mar-15 |
| | | | >900 | 2249.85 | 648.00 | 1457902.80 | |
| 12 | GBS-4B | 42nd RA Bill | 400-800 | 8153.32 | 1150.00 | 9376318.00 | Mar-17 |
| | | | >900 | 8970.00 | 1200.00 | 10764000.00 | |
| | | | | 2420.00 | 960.00 | 2323200.00 | |
| | | | | 2420.00 | 240.00 | 580800.00 | |
| 13 | GBS-4C | 43rd RA Bill | 400-800 | 9986.94 | 1150.00 | 11484981.00 | Jun-17 |
| | | | >900 | 12566.00 | 1200.00 | 15079200.00 | |
| 14 | GBS-4E | 22nd RA Bill | 2000 | 41363.93 | 2024.00 | 83720594.32 | Aug-17 |
| | | | | 6529.23 | 2024.00 | 13215161.52 | |
| 15 | GBS-4F | 28th RA Bill | 400-800 | 2380.00 | 2216.00 | 5274080.00 | May-17 |
| | | | | 671.06 | 2216.00 | 1487068.96 | |
| | | | >900 | 34525.24 | 2156.00 | 74436417.44 | |

## *Appendix – 7 Contd.*

| Sl No | Name of Package | RA Bill Details | Diameter of the pipe (mm) | Quantity Executed in Square Meters | Rate / Sqmt (` ) | Expenditure ( in `) | RA Bill Payment date |
|---|---|---|---|---|---|---|---|
| 16 | GBS-5B | 36th RA Bill (final) | 400-800 | 1637.70 | 1450.00 | 2374665.00 | Jan-11 |
| | | | >900 | 10474.00 | 1100.00 | 11521400.00 | |
| | | | | 1053.56 | 1100.00 | 1158916.00 | |
| 17 | GBS-06 | 15th RA Bill(final) | | 9949.50 | 1900.00 | 18904050.00 | Jul-15 |
| 18 | GBS-7A | 36th RA Bill | >900 | 4049.95 | 1150.00 | 4657442.50 | Feb-17 |
| | | | | 1101.00 | 1200.00 | 1321200.00 | |
| 19 | GBS-7B | 39th RA Bill | 400-800 | 18911.70 | 1000.00 | 18911700.00 | Jul-17 |
| | | | >900 | 27504.69 | 1000.00 | 27504690.00 | |
| 20 | GBS-7C | 42nd RA Bill(final) | 400-800 | 6512.67 | 1150.00 | 7489570.50 | April, May-2017 |
| 21 | YGB-01 | 8th RA Bill(final) | 400-800 | 2442.85 | 2024.00 | 4944328.40 | Oct-17 |
| | **Total** | | | **298466.90** | | **406514137.27** | |

## *Appendix- 8*
### *(Referred to in Paragraph No.2.5.1 of Chapter II of Part I)*
### Statement showing short remittance of EPF and ESI by the Agency

**(Amount in ₹)**

| Sl. No | Month of Payment | Gross amount paid to agency towards salary of outsourced employees | Statutory* EPF contribution | EPF benefits remitted by the Agency | Short Remittance of EPF | Statutory ESI** contribution | ESI benefits remitted by the Agency | Short remittance of ESI |
|---|---|---|---|---|---|---|---|---|
| 1 | Apr-18 | 46480336 | 8804305 | 4385646 | 4418659 | 2274282 | 957274 | 1317008 |
| 2 | May-18 | 54673816 | 10356314 | 4386685 | 5969629 | 2675190 | 966995 | 1708195 |
| 3 | Jun-18 | 50625260 | 9589437 | | | | | |
| 4 | Jul-18 | 50730882 | 9609444 | 4542997 | 5066447 | 2482262 | 992806 | 1489456 |
| 5 | Aug-18 | 50513264 | 9568222 | 4552404 | 5015818 | 2471614 | 987853 | 1483761 |
| 6 | Sep-18 | 50692405 | 9602155 | 4585332 | 5016823 | 2480379 | 998288 | 1482091 |
| 7 | Oct-18 | 50692405 | 9602155 | 4581032 | 5021123 | 2480379 | 991730 | 1488649 |
| 8 | Nov-18 | 50618138 | 9588088 | 4546764 | 5041324 | 2476745 | 1004280 | 1472465 |
| 9 | Dec-18 | 50679046 | 9599625 | 4525567 | 5074058 | 2479726 | 1020763 | 1458963 |
| 10 | Jan-19 | 50689402 | 9601587 | 4508429 | 5093158 | 2480232 | 1012342 | 1467890 |
| 11 | Feb-19 | 50697496 | 9603120 | 4868828 | 4734292 | 2480628 | 1077104 | 1403524 |
| 12 | Mar-19 | 50661431 | 9596288 | 4640227 | 4956061 | 2478864 | 1018891 | 1459973 |
| 13 | Apr-19 | 50597717 | 9584220 | 4703706 | 4880514 | 2475746 | 1062102 | 1413644 |
| 14 | May-19 | 50630944 | 9590513 | 4735769 | 4854744 | 2477372 | 1042060 | 1435312 |
| 15 | Jun-19 | 50765915 | 9616080 | 4640937 | 4975143 | 2483976 | 1042702 | 1441274 |
| 16 | Arrears Apr 18 to Jun 19 | 93818404 | 17771082 | 0 | 17771082 | 4590535 | 0 | 4590535 |
| 17 | Jul-19 | 56982348 | 10793596 | 4599027 | 6194569 | 2788146 | 671992 | 2116154 |
| 18 | Aug-19 | 54297309 | 10284996 | 4727275 | 5557721 | 2656767 | 683459 | 1973308 |
| 19 | Sep-19 | 54308478 | 10287112 | 4804452 | 5482660 | 2657314 | 702229 | 1955085 |
| 20 | Oct-19 | 57016816 | 10800125 | 4668345 | 6131780 | 2789833 | 680080 | 2109753 |
| 21 | Nov-19 | 56977362 | 10792652 | 4691328 | 6101324 | 2787902 | 693923 | 2093979 |

***Appendix – 8 Contd.***

| Sl. No | Month of Payment | Gross amount paid to agency towards salary of outsourced employees | Statutory* EPF contribution | EPF benefits remitted by the Agency | Short Remittance of EPF | Statutory ESI** contribution | ESI benefits remitted by the Agency | Short remittance of ESI |
|---|---|---|---|---|---|---|---|---|
| 22 | Dec-19 | 56951420 | 10787738 | 3997723 | 6790015 | 2786633 | 763577 | 2023056 |
| 23 | Jan-20 | 57018246 | 10800396 | 4210822 | 6589574 | 2789903 | 867684 | 1922219 |
| 24 | Feb-20 | 57060565 | 10808412 | 4333305 | 6475107 | 2791973 | 896992 | 1894981 |
| 25 | Mar-20 | 57117551 | 10819207 | 4184772 | 6634435 | 2794762 | 859038 | 1935724 |
| 26 | Apr-20 | 57054570 | 10807277 | 4294345 | 6512932 | 2791680 | 896843 | 1894837 |
| 27 | May-20 | 57073077 | 10810782 | 3616191 | 7194591 | 2792586 | 882950 | 1909636 |
| 28 | Jun-20 | 57239463 | 10842299 | 3690005 | 7152294 | 2800727 | 881513 | 1919214 |
| 29 | Jul-20 | 57127657 | 10821121 | 3597387 | 7223734 | 2795256 | 856845 | 1938411 |
| 30 | Aug-20 | 57094359 | 10814813 | 4454796 | 6360017 | 2793627 | 854918 | 1938709 |
| 31 | Sep-20 | 57069622 | 10810128 | 4570285 | 6239843 | 2792417 | 863573 | 1928844 |
| 32 | Oct-20 | 57166773 | 10828530 | 3886535 | 6941995 | 2797170 | 823053 | 1974117 |
| 33 | Arrears Apr 19 to Oct 20 | 143801377 | 27238857 | 0 | 27238857 | 7036201 | 0 | 7036201 |
| 34 | Nov-20 | 64542868 | 12225710 | 3988096 | 8237614 | 3158083 | 862434 | 2295649 |
| 35 | Dec-20 | 64668188 | 12249448 | 3815746 | 8433702 | 3164214 | 848170 | 2316044 |
| 36 | Jan-21 | 64774689 | 12269622 | 5814965 | 6454657 | 3169426 | 900000 | 2269426 |
| 37 | Feb-21 | 64818086 | 12277842 | 5811065 | 6466777 | 3171549 | 900000 | 2271549 |
| 38 | Mar-21 | 64767588 | 12268277 | | | | | |
| | **TOTAL** | **2228495273** | **422121575** | **151960788** | **248303073** | **109040274** | **30564463** | **72829639** |

**The amount remitted by the Agency to EPFO and ESIC was as per BWSSB records. The remittance details were not exclusive for BWSSB and hence the short remittance of contributions would be much higher.**

***The Statutory EPF contribution workout to 18.942% over the Gross amount paid to each employee by BWSSB.**

**** The Statutory ESI contribution workout to 4.893% over the Gross amount paid to each employee by BWSSB**

*Appendix – 9*
*(Referred to in Paragraph No.2.5.2 of Chapter II of Part I)*
**Details of excess payment towards service charge and employee contribution of ESI**

**(Amount in ₹)**

| Designation | Number of persons employed | Employee contribution added erroneously to Gross wages | Service charge @ 10 percent paid in excess | Excess employee contribution paid to Agency | Total excess payment of service charge | Total excess payment of employee contribution |
|---|---|---|---|---|---|---|
| ***2018-19*** | | | | | | |
| DEOs | 296 | 2592.73 | 259.27 | 329.98 | 76743.92 | 97674.08 |
| H. DRIVERS | 126 | 2597.54 | 259.75 | 330.6 | 32728.5 | 41655.6 |
| L. DRIVERS | 91 | 2514.35 | 251.44 | 320.01 | 22881.04 | 29120.91 |
| HELPER/ VALVEMEN | 1388 | 2320.07 | 232.01 | 295.28 | 322029.88 | 409848.64 |
| SANITARY WORKERS | 428 | 2651.17 | 265.12 | 332.42 | 113471.36 | 142275.76 |
| SECURITY STAFF | 111 | 2234.68 | 223.47 | 284.41 | 24805.17 | 31569.51 |
| *Excess payment for each month during the above period* | | | | | 592659.87 | 752144.5 |
| ***Excess Paid for the Months- May 2018 to March 2019*** | | | | | **6519258.57 (A)** | **8273589.5 (D)** |
| ***2019-20*** | | | | | | |
| DEOs | 296 | 2735.1 | 273.51 | 348.1 | 80958.96 | 103037.6 |
| H. DRIVERS | 126 | 2780.33 | 278.03 | 353.86 | 35031.78 | 44586.36 |
| L. DRIVERS | 91 | 2704.71 | 270.47 | 344.24 | 24612.77 | 31325.84 |
| HELPER/ VALVEMEN | 1388 | 2586.87 | 258.69 | 329.24 | 359061.72 | 456985.12 |
| SANITARY WORKERS | 428 | 2893.77 | 289.38 | 368.3 | 123854.64 | 157632.4 |
| SECURITY STAFF | 111 | 2505.88 | 250.59 | 318.93 | 27815.49 | 35401.23 |
| *Excess payment for each month during the above period* | | | | | 651335.36 | 828968.55 |
| ***Excess paid for the year 2019-20*** | | | | | **7816024.32 (B)** | **9947622.6 (E)** |
| | | | | | | |
| DEOs | 296 | 2895.64 | 289.56 | 368.54 | 85709.76 | 109087.84 |
| H. DRIVERS | 126 | 2940.88 | 294.09 | 374.29 | 37055.34 | 47160.54 |
| L. DRIVERS | 91 | 2865.25 | 286.53 | 364.67 | 26074.23 | 33184.97 |
| HELPER/ VALVEMEN | 1388 | 2747.42 | 274.74 | 349.67 | 381339.12 | 485341.96 |
| SANITARY WORKERS | 428 | 3054.32 | 305.43 | 388.73 | 130724.04 | 166376.44 |
| SECURITY STAFF | 111 | 2666.43 | 266.64 | 339.36 | 29597.04 | 37668.96 |
| ***Excess payment for each month*** | | | | | **690499.53** | **878820.71** |
| ***Excess Paid for the year 2020-21*** | | | | | **8285994.36 (C)** | **10545848.52(F)** |
| ***Excess Service Charge-Total of A+B+C*** | | | | | **22621277.25** | |
| ***Excess ESI payment Total of D+E+F*** | | | | | **28767060.62** | |

*Appendix - 10*
***(Referred to in Paragraph No.2.5.3 of Chapter II of Part I)***
**Details of excess payment of employer contribution to EPF**

**(Amount in ₹)**

| Designation | Number of persons employed | Employer contribution paid to Agency @ 13.16% | Employer contribution to be paid @ 13% | Excess employer contribution paid | Excess employer contribution paid/month |
|---|---|---|---|---|---|
| DEOs | 296 | 2381.59 | 2352.63 | 28.96 | 8572.16 |
| H. DRIVERS | 126 | 2391.99 | 2362.91 | 29.08 | 3664.08 |
| L. DRIVERS | 91 | 2319.61 | 2291.41 | 28.2 | 2566.2 |
| HELPER/ VALVEMEN | 1388 | 2141.03 | 2115 | 26.03 | 36129.64 |
| SANITARY WORKERS | 428 | 2434.76 | 2405.16 | 29.6 | 12668.8 |
| SECURITY STAFF | 111 | 2063.51 | 2038.42 | 25.09 | 2784.99 |
| *Excess payment for each month* | | | | | 66385.87 |
| **Excess Paid for the Months June 2018 to March 2019** | | | | | **663858.70(A)** |
| **2019-20** | | | | | |
| DEOs | 296 | 2617.73 | 2585.9 | 31.83 | 9421.68 |
| H. DRIVERS | 126 | 2661.03 | 2628.68 | 32.35 | 4076.1 |
| L. DRIVERS | 91 | 2588.65 | 2557.18 | 31.47 | 2863.77 |
| HELPER/ VALVEMEN | 1388 | 2475.87 | 2445.77 | 30.1 | 41778.8 |
| SANITARY WORKERS | 428 | 2769.6 | 2735.93 | 33.67 | 14410.76 |
| SECURITY STAFF | 111 | 2398.36 | 2369.2 | 29.16 | 3236.76 |
| *Excess payment for each month* | | | | | 75787.87 |
| **Excess paid for the year 2019-20** | | | | | **909454.44(B)** |
| **2020-21** | | | | | |
| DEOs | 296 | 2771.39 | 2737.7 | 33.69 | 9972.24 |
| H. DRIVERS | 126 | 2814.69 | 2780.47 | 34.22 | 4311.72 |
| L. DRIVERS | 91 | 2742.31 | 2708.97 | 33.34 | 3033.94 |
| HELPER/ VALVEMEN | 1388 | 2629.53 | 2597.56 | 31.97 | 44374.36 |
| SANITARY WORKERS | 428 | 2923.26 | 2887.72 | 35.54 | 15211.12 |
| SECURITY STAFF | 111 | 2552.01 | 2520.98 | 31.03 | 3444.33 |
| *Excess payment for each month* | | | | | 80347.71 |
| **Excess Paid for the period 2020-21** | | | | | **964172.52(C)** |
| **Total excess payment** | | | | | **2537485.66** |

## *Appendix - 11*
### *(Referred to in Paragraph No.2.5.3 of Chapter II of Part I)*
### Details of excess payment of employer contribution to ESI

| Designation | Number of persons employed | Employer contribution @ 4.75% paid | Employer contribution @3.25% to be paid | Excess paid to Agency for each employee (₹) | Excess Paid to the agency for each month (₹) |
|---|---|---|---|---|---|
| **2019-20 (W.e.f. July 2019)** | | | | | |
| DEOs | 296 | 944.85 | 646.48 | 298.37 | 88317.52 |
| H. DRIVERS | 126 | 960.48 | 657.17 | 303.31 | 38217.06 |
| L. DRIVERS | 91 | 934.35 | 639.29 | 295.06 | 26850.46 |
| HELPER/ VALVEMEN | 1388 | 893.65 | 611.44 | 282.21 | 391707.48 |
| SANITARY WORKERS | 428 | 999.67 | 683.98 | 315.69 | 135115.32 |
| SECURITY STAFF | 111 | 865.67 | 592.3 | 273.37 | 30344.07 |
| *Excess payment for each month* | | | | | 710551.91 |
| **Excess paid for the year 2019-20 (w.e.f. July 1, 2019)** | | | | | **6394967.19(A)** |
| **For the period (2020-21)** | | | | | |
| DEOs | 296 | 1036.36 | 709.09 | 327.27 | 96871.92 |
| H. DRIVERS | 126 | 1049.9 | 718.35 | 331.55 | 41775.3 |
| L. DRIVERS | 91 | 1021.16 | 698.69 | 322.47 | 29344.77 |
| HELPER/ VALVEMEN | 1388 | 977.8 | 669.02 | 308.78 | 428586.64 |
| SANITARY WORKERS | 428 | 1092.18 | 747.28 | 344.9 | 147617.2 |
| SECURITY STAFF | 111 | 948.3 | 648.84 | 299.46 | 33240.06 |
| *Excess payment for each month* | | | | | 777435.89 |
| **Excess Paid for the period 2020-21** | | | | | **9329230.68(B)** |
| **Total excess payment A+B** | | | | | **15724197.87** |

## *Appendix – 12*

***(Referred to in Paragraph No.2.6 of Chapter II of Part I)***

**Statement showing excess payment to contractors due to adoption of incorrect schedule of rates**

| Sl. No. | Work order No. | Industrial area/Package | Contracting Agency (completion date) | Nature of work (Item Number in estimate) | Quantity (in cum) | Rate per cubic metre to be paid as per KSRRB of Vol-II 300.1, 300.2, 300.6 (₹) | Tender premium (*per cent*) | Rate payable including tender premium (₹) | Actual rate paid as per KSRB Vol-I (₹) | Excess payment for the executed quantity (₹) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | IADB/ENGG/ 7383/24/3762/ 2014-15 dated 19.06.2014 | Avverahalli Industrial area, Nelamangala Taluk, Bangalore rural District – Package-1 | M/s. Amrutha Constructions Pvt. Ltd (7 June 2020) | Road side RCC drain (31) | 36,921.10 | 98 | 9.66 | 107 | 200 | 34,16,428 |
| | | | | RCC Storm Water Drain (62) | 4,453.75 | 98 | 9.66 | 107 | 200 | 4,12,120 |
| | | | | RCC Storm Water Drain (Workslip) | 1,566.25 | 113 | 9.66 | 124 | 238.32 | 1,79,186 |
| 2 | IADB/ENGG/ 26/4416/2017-18 dated 05.06.2017 | Harohalli Industrial Area 3rd Phase, Kanakapura Taluk, Ramanagara District – Package- 2 | M/s. Santhosh Buildwel Infra Pvt. Ltd (30 October 2019) | RCC side drain (28) | 22,535.19 | 113 | 3.63 | 117 | 291 | 39,18,827 |
| | | | | Storm Water Drain (59) | 3,632.50 | 113 | 3.63 | 117 | 291 | 6,31,685 |
| | | | | Storm Water Drain (Workslip) | 1,612.16 | 113 | 3.63 | 117 | 302.07 | 2,98,198 |
| 3 | IADB/ENGG/ 27/8407/2017-18 dated 30.08.2017 | Harohalli Industrial Area 3rd Phase, Kanakapura Taluk, Ramanagara District – Package- 3 | M/s. Sri Srinivasa Constructions (P) Ltd (27 October 2018) | RCC side drain (28) | 31,978.24 | 113 | 4.06 | 118 | 303 | 59,29,156 |
| | | | | Storm Water Drain (45) | 6,527.50 | 113 | 4.06 | 118 | 303 | 12,10,278 |
| | | | | Storm Water Drain (Workslip) | 1,900.64 | 113 | 4.06 | 118 | 303.32 | 3,53,010 |
| 4 | IADB/ENGG/ 189/7945/103/ 2018-19 dated 16.08.2018 | Plot Nos. 4, 5, & 6 Hi-Tech, Defense and Aerospace Park, Devanahalli, Bangalore rural District | Sri. Ibrahim Sherief (31 July 2020) | RCC Drain and Inspection Chamber (22) | 7,883.00 | 113 | -6.30 | 106 | 262 | 12,30,686 |
| | | | | Valve Chambers (54) | 5,970.00 | 113 | -6.30 | 106 | 303 | 11,76,800 |
| | | | | RCC Drain (104) | 4,881.00 | 113 | -6.30 | 106 | 262 | 7,62,017 |
| 5 | IADB/ENGG/ 319/C. No. 22089/16722/ 2018-19 dated 08.03.2019 | Mudipu main road to Canara Industrial Area 1st phase | M/s. Iqbal Ahmed Infra Pvt. Ltd. (Work in progress) | RCC side drains (26) | 1,412.10 | 82 | -3.10 | 79 | 205 | 1,77,278 |
| | | | | RCC side drains (27) | 1,882.80 | 113 | -3.10 | 109 | 307 | 3,71,859 |
| | | | | RCC side drains (28) | 1,412.10 | 750 | -3.10 | 727 | 959 | 3,27,960 |
| | | | | | | | | | **Total** | **2,03,95,487** |

### *Appendix – 13 A*

***(Referred to in Paragraph No.2.9.1 of Chapter II of Part I)***

**Statement showing short levy due to incorrect classification**

**(Amount in ₹)**

| Sl. No. | Motor Vehicle registration Number | Registration Date | Cost of the Vehicle | LTT to be levied (18 % Tax + 11% Cess) | LTT levied | Short levy of LTT |
|---|---|---|---|---|---|---|
| **1** | KA57F4435 | 21-04-2020 | 38,00,000 | 7,59,240 | 2,53,080 | 5,06,160 |
| **2** | KA57F4449 | 29-04-2020 | 38,00,000 | 7,59,240 | 2,53,080 | 5,06,160 |
| **3** | KA57F4450 | 29-04-2020 | 38,00,000 | 7,59,240 | 2,53,080 | 5,06,160 |
| **Total Short levy of LTT** | | | | | | **15,18,480** |

### *Appendix – 13 B*

***(Referred to in Paragraph No.2.9.1 of Chapter II of Part I)***

**Statement showing assessment of quarterly tax due to non-compliance of Rule151(2) of KMV Rules 1989**

**(Amount in ₹)**

| Sl. No | Office | No. of vehicles | Short levy of tax |
|---|---|---|---|
| 01 | RTO/Mangaluru | 100 | 75,85,296 |
| 02 | ARTO/Bantwal | 12 | 6,63,003 |
| **Total short levy of tax** | | | **82,48,299** |

## *Appendix – 14*
### *(Referred to in Paragraph 1.1 of Chapter I of Part II)*
### List of Public Sector Undertakings

| Sl. No. | Name of the PSU |
|---|---|
| **Finance Sector** | |
| 1 | D Devaraj Urs Backward Classes Development Corporation Limited (DUBCDCL) |
| 2 | Karnataka State Women's Development Corporation (KSWDC) |
| 3 | Dr. B.R. Ambedkar Development Corporation Limited (BRADCL) |
| 4 | Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited (KMVSTDCL) |
| 5 | The Karnataka Minorities Development Corporation Limited (KMDC) |
| 6 | Karnataka Thanda Development Corporation Limited (KTDCL) |
| 7 | Karnataka Vishwakarma Community Development Corporation Limited (KVCDCL) |
| 8 | Karnataka Bhovi Development Corporation Limited (KBDCL) |
| 9 | Nijasharana Ambigara Chowdaiah Development Corporation Limited (NACDCL) |
| 10 | Karnataka State Safai Karmachari Development Corporation Limited (KSSKDCL) |
| 11 | Karnataka Adi Jambava Development Corporation (KAJDC) |
| 12 | Karnataka Uppara Development Corporation Limited (KUDCL) |
| 13 | The Karnataka Handloom Development Corporation Limited (KHDCL) |
| 14 | Karnataka State Handicrafts Development Corporation Limited (KSHDCL) |
| 15 | Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC) |
| 16 | Karnataka Urban Infrastructure Development and Finance Corporation Limited (KUIDFC) |
| 17 | Sree Kanteerava Studios Limited (KSL) |
| 18 | Karnataka Asset Management Company Private Limited (KAMCPL) |
| 19 | Karnataka Trustee Company Private Limited (KTCPL) |
| 20 | Karnataka State Financial Corporation (KSFC) |
| 21 | Karnataka Brahmin Development Board (KBDB) |
| 22 | Karnataka Savitha Samaja Development Corporation Limited (KSSDCL) |
| 23 | Karnataka Madiwala Machideva Development Corporation Limited (KMMDCL) |
| 24 | Karnataka Arya Vysya Community Development Corporation Limited (KAVCDCL) |
| 25 | Karnataka Alemari Are-Alamari Development Corporation Limited (KAADCL) |
| 26 | Karnataka Veerashaiva-Lingayath Development Corporation Limited (KVLDCL) |
| **Infrastructure Sector** | |
| 27 | Karnataka State Construction Corporation Limited (KSCCL) |
| 28 | Karnataka Rural Infrastructure Development Limited (KRIDL) |
| 29 | Karnataka State Police Housing and Infrastructure Development Corporation Limited (KSPHIDCL) |
| 30 | Rajiv Gandhi Housing Corporation Limited (RGHCL) |
| 31 | Karnataka Road Development Corporation Limited (KRDCL) |
| 32 | Krishna Bhagya Jala Nigam Limited (KBJNL) |

***Appendix – 14 Contd.***

| Sl. No. | Name of the PSU |
|---|---|
| 33 | Karnataka Neeravari Nigam Limited (KNNL) |
| 34 | Cauvery Neeravari Nigama Limited (CNNL) |
| 35 | Vishveswaraya Jala Nigam Limited (VJNL) |
| 36 | Bangalore Airport Rail Link Limited (BARL) |
| 37 | Tadadi Port Limited (TPL) |
| 38 | Hubli Dharwad BRTS Company Limited (HDBRTS) |
| 39 | Invest Karnataka Forum (IKF) |
| 40 | Tumakuru Machine Tool Park (TMTP) |
| 41 | Hubballi Dharwad Smart City Limited (HDSCL) |
| 42 | Davanagere Smart City Limited (DSCL) |
| 43 | Belagavi Smart City Limited (BSCL-Belgavi) |
| 44 | Shivamogga Smart City Limited (SSCL) |
| 45 | Tumakuru Smart City Limited (TSCL) |
| 46 | Mangaluru Smart City Limited (MSCL) |
| 47 | Bengaluru Smart City Limited (BSCL-Bengaluru) |
| 48 | Bengaluru PRR Development Corporation Limited (BPRRDCL) |
| 49 | Rail Infrastructure Development Company (Karnataka) Limited (KRIDE) |
| 50 | Bangalore Suburban Rail Company Limited (BSRCL) (Non-Working) |
| 51 | CBIC Tumakuru Industrial Township Limited (CBICTITL) |
| 52 | Bengaluru Integrated Rail Infrastructure Development Enterprises Limited (B-RIDE) |
| **Power Sector** | |
| 53 | Karnataka Power Corporation Limited (KPCL) |
| 54 | KPC Gas Power Corporation Limited (KPCGPCL) |
| 55 | Raichur Power Corporation Limited (RPCL) |
| 56 | Karnataka Power Transmission Corporation Limited (KPTCL) |
| 57 | Bangalore Electricity Supply Company Limited (BESCOM) |
| 58 | Hubli Electricity Supply Company Limited (HESCOM) |
| 59 | Mangalore Electricity Supply Company Limited (MESCOM) |
| 60 | Chamundeshwari Electricity Supply Corporation Limited (CESC) |
| 61 | Gulbarga Electricity Supply Company Limited (GESCOM) |
| 62 | Karnataka Renewable Energy Development Limited (KREDL) |
| 63 | Power Company of Karnataka Limited (PCKL) |
| **Service Sector** | |
| 64 | Karnataka State Tourism Development Corporation Limited (KSTDC) |
| 65 | Jungle Lodges and Resorts Limited (JLR) |
| 66 | D. Devraj Urs Truck Terminals Limited (DDUTTL) |
| 67 | Karnataka Food and Civil Supplies Corporation Limited (KFCSCL) |
| 68 | Karnataka Tourism Infrastructure Limited (KTIL) |
| 69 | Karnataka State Road Transport Corporation (KSRTC) |

***Appendix – 14 Contd.***

| Sl. No. | Name of the PSU |
|---|---|
| 70 | Bangalore Metropolitan Transport Corporation (BMTC) |
| 71 | North Western Karnataka Road Transport Corporation (NWKRTC) |
| 72 | Kalyana Karnataka Road Transport Corporation (KKRTC) |
| 73 | Karnataka State Medical Supplies Corporation Limited (KSMSCL) |
| **Other Sectors** | |
| 74 | Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited (LIDKAR) |
| 75 | Karnataka State Coir Development Corporation Limited (KSCDCL) |
| 76 | Karnataka Soaps and Detergents Limited (KSDL) |
| 77 | The Mysore Paper Mills Limited (MPM) |
| 78 | Karnataka Vidyuth Karkhane Limited (KAVIKA) |
| 79 | The Mysore Electrical Industries Limited (MEI) |
| 80 | NGEF (Hubli) Limited (NGEFH) |
| 81 | Karnataka Silk Industries Corporation Limited (KSIC) |
| 82 | Karnataka Silk Marketing Board Limited (KSMB) |
| 83 | Karnataka State Textile Infrastructure Development Corporation Limited (KSTDICL) |
| 84 | Karnataka State Minerals Corporation Limited (KSMCL) |
| 85 | The Hutti Gold Mines Company Limited (HGML) |
| 86 | Mysore Sugar Company Limited (MYSUGAR) |
| 87 | Mysore Paints and Varnish Limited (MPVL) |
| 88 | Mysore Sales International Limited (MSIL) |
| 89 | Marketing Communication and Advertising Limited (MCA) |
| 90 | Karnataka State Agro Corn Products Limited (KSACPL) |
| 91 | Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC) |
| 92 | Karnataka State Pulses Abhivridhi Mandali Limited (KSPAML) |
| 93 | Karnataka Fisheries Development Corporation Limited (KFDC) |
| 94 | Karnataka Sheep and Wool Development Corporation Limited (KSAWDCL) |
| 95 | Karnataka Compost Development Corporation Limited (KCDCL) |
| 96 | Karnataka Cashew Development Corporation Limited (KCDC) |
| 97 | Karnataka Forest Development Corporation Limited (KFDCL) |
| 98 | Karnatak State Forest Industries Corporation Limited (KSFIC) |
| 99 | Karnataka State Seeds Corporation Limited (KSSCL) |
| 100 | Food Karnataka Limited (FKL) |
| 101 | Karnataka State Mango Development and Marketing Corporation Limited (KSMDMCL) |
| 102 | Karnataka Antharaganga Micro Irrigation Corporation Limited (KAMICL) |
| 103 | Bangalore Bio-innovation Centre (BBC) |
| 104 | Karnataka State Small Industries Development Corporation Limited (KSSIDC) |
| 105 | Karnataka State Electronics Development Corporation Limited (KEONICS) |

***Appendix –14 Contd.***

| Sl. No. | Name of the PSU |
|---|---|
| 106 | Karnataka State Beverages Corporation Limited (KSBCL) |
| 107 | Karnataka Vocational Training and Skill Development Corporation Limited (KVTSDCL) |
| 108 | Karnataka Public Lands Corporation Limited (KPLCL) |
| 109 | Karnataka Mining Environment Restoration Corporation Limited (KMERCL) |
| 110 | Science Gallery Bengaluru (SGB) |
| 111 | Karnataka State Warehousing Corporation (KSWC) |
| 112 | International Flower Auction Bangalore Limited (IFABL) |
| 113 | Karnataka Agro Industries Corporation Limited (KAIC) (Non-Working) |
| 114 | The Mysore Tobacco Company Limited (MTC) (Non-Working) |
| 115 | Karnataka Pulpwood Limited (KPL) (Non-Working) |
| 116 | The Karnataka State Veneers Limited (KSVL) (Non-Working) |
| 117 | The Mysore Match Company Limited (MMC) (Non-Working) |
| 118 | The Mysore Lamp Works Limited (MLW) (Non-Working) |
| 119 | Mysore Cosmetics Limited (MCL) (Non-Working) |
| 120 | The Mysore Chrome Tanning Company Limited (MCT) (Non-Working) |
| 121 | NGEF Limited (NGEF) (Non-Working) |
| 122 | Karnataka Telecom Limited (KTL) (Non-Working) |
| 123 | The Mysore Acetate and Chemicals Company Limited (MACCL) (Non-Working) |
| 124 | Vijayanagar Steel Limited (VSL) (Non-Working) |

## *Appendix - 15*

### *(Referred to Paragraph No. 1.19 of Chapter I of Part II)*

### Statement showing the department-wise outstanding Inspection Reports (IRs) in respect of PSUs*

| Sl. No. | Name of the Department | No. of PSUs | No. of outstanding IRs | No. of outstanding Paras | Period of IR from which outstanding |
|---|---|---|---|---|---|
| 1 | Commerce & Industries | 17 | 47 | 379 | 2006-10 |
| 2 | Energy | 11 | 227 | 1,333 | 2007-10 |
| 3 | Forest Ecology & Environment | 04 | 09 | 60 | 2001-20 |
| 4 | Housing | 01 | 04 | 06 | 2007-17 |
| 5 | Infrastructure Development, Ports and Inland Water Transport | 04 | 05 | 25 | 2011-14 |
| 6 | Information Technology, Bio Technology and Science & Technology | 03 | 06 | 44 | 2011-14 |
| 7 | Public Works | 02 | 04 | 21 | 2009-12 |
| 8 | Tourism | 02 | 06 | 51 | 2009-12 |
| 9 | Transport | 04 | 93 | 574 | 2010-11 |
| 10 | Urban Development | 10 | 11 | 63 | 2006-19 |
| 11 | Home | 01 | 04 | 27 | 2011-19 |
| | **Total** | **59** | **416** | **2,583** | |

***** Pertains to PSUs under the audit jurisdiction of Office of Accountant General (Audit-II), Karnataka.

## *Appendix-16*
### *(Referred to in Paragraph No.2.1.2 of Chapter II of Part II)*
### Status of completion of works awarded under DAS as of September 2021

| Package No. | Package Name | Quantity (Nos) | Start Date | End Date | Status of works | Reasons for delay as per technical committee appointed by the Company |
|---|---|---|---|---|---|---|
| I | DAS Master stations (SCADA System), Communication systems and control center facilities | - | 26.08.2011 | 25.11.2013 | • System declared operational in March 2019.<br>• Delay of 5 years 4 months. | • Dependency on external stakeholders and inter-dependency of other packages. |
| IA | Design and construction of BESCOM Integrated Control Centre-1 (BCC-1) at HSR Layout. | - | February 2014 | April 2015 | • Completed as per schedule. | - |
| IB | Design and construction of BESCOM Integrated Control Centre-1 (BCC-2) at Rajajinagar | - | September 2015 | December 2016 | • Completed as per schedule. | - |
| IIA, IIB, IIC | Design, Manufacture, Supply, Installation, Testing and Commissioning of RTUs for RMUs | 1,590 RTUs (700, 495, 395) | 28.12.2010 | 27.12.2012 | • As on October 2013, 1,590 RTUs delivered and 350 installed.<br>• As of June 2019, 1,590 RTUs installed and commissioned.<br>• Integration testing done for 1,446 RTUs (91 *per cent*) as of September 2021. | • Dependency on package-IV and V (RMU readiness) for installation and testing of RTUs;<br>• Lack of necessary maintenance of RMUs;<br>• Vandalism of RMU and theft of some components of RTU. |
| IIIA, IIIB | Design, Manufacture, delivery, installation, testing and commissioning of Line reclosers (LRCs) and Load break switches/sectionaliser (LBS) capable of being monitored and controlled by DAS control centers. | 500 LRC, 450 LBS & 295 LRC, 295 LBS | 25.01.2011 | 24.01.2013 | • As of October 2013, 795 LRC and 745 LBS delivered and 523 LRC and 631 LBS installed.<br>• As of April 2020 (IIIA)/October 2019 (IIIB), 795 LRC and 745 LBS installed and commissioned.<br>• Integration testing done for 495 & 290 LRC and 448 & 295 LBS. ((99 *per cent*) as of September 2021. | • Finalisation of automation points due to inconsistency in the existing GIS data.<br>• Non-availability of line clear;<br>• Dependency of Package-VI and communication system. |

## *Appendix - 16 Contd.*

| Package No. | Package Name | Quantity (Nos) | Start Date | End Date | Status of works | Reasons for delay as per technical committee appointed by the Company |
|---|---|---|---|---|---|---|
| IVA, IVB, IVC | Design, Manufacture, Delivery, Installation, Testing and Commissioning of 3 way & 5 way RMUs with communicable features and capable of being monitored, controlled by the DAS control centers through RTUs | 790 New RMUs (345, 250, 195) | 27.12.2010 | 26.12.2012 | • As of October 2013, 790 RMUs delivered. Of which 786 RMUs erected and 287 RMUs commissioned.<br>• 790 RMUs installed, charged and tested as of June 2019.<br>• Contract extended upto June 2021.<br>• Integration testing done for 711 RMUs (90 *per cent*) as of September 2021. | • Approval of final drawings and prototype;<br>• Finalisation of automation points by Project Management Consultant;<br>• Diversion of RMUs for replacing old RMUs;<br>• Road digging and charging approvals, testing and integration challenges. |
| VA, VB | Design, Manufacture, Delivery, Installation, Testing and Commissioning of 3 way & 5way RMUs with communicable features and capable of being monitored, controlled by the DAS control centers thorough RTUs | 800 replacement RMUs (200 & 600) | 15.11.2011 | 14.05.2013 | • As of October 2013, 640 RMUs delivered, 240 RMUs erected and 80 RMUs commissioned.<br>• As of June 2019, 800 RMUs installed and commissioned.<br>• Integration and testing done for 730 RMUs (91 *per cent*) as of September 2021. | |
| VI | Construction of Overhead lines infrastructure | 695 kms Coyote ACSR, 255 kms AB Cable | 29.12.2010 | 28.12.2012 | • As of October 2013, 695 kms Coyote ACSR, 255 kms AB Cable delivered. Erected 694 kms Coyote ACSR, 245 kms AB Cable. | - |
| VII | Construction of Underground Lines infrastructure | 227.9 kms UG cable | 18.12.2010 | 17.12.2012 | • As of October 2013, 226 kms UG Cable delivered and laid. | - |

***Appendix-17***

***(Referred to in Paragraph No.2.1.2 of Chapter II of Part II)***

**Time taken for various activities**

| **Sl. No** | **Activity** |
|---|---|
| 1 | **<u>Survey of feeders and identification of automation points</u>**<br>❖ The existing GIS data available with BESCOM did not match with actual field situations and there were missing portions and quality issues which necessitated resurvey of 800 feeders to capture the GIS data for carrying out analysis and identification of automation points. Field survey of 800 feeders was completed by December 2010 (200 feeders in December 2008, 159 feeders in February 2010 and 451 in December 2010). |
| 2 | **<u>Statutory clearances</u>**<br>Frequency allocation was required for remote monitoring of automation points (Line re-closers, Load break switches and Ring main Units) from the control centers.<br>❖ **Ultra High Frequency (UHF) allocation:** Applications for UHF frequency allocation and microwave frequency allocation were made to WPC, GoI during November 2011. Based on WPC directions, revised applications were filed (March 2013) and the grant of license was issued by WPC for UHF frequency in October 2013. The microwave frequency was received in July 2014.<br>❖ **Radio frequency allocation:** The Company applied for clearance for the sites from SACFA[116] (Clearances of HAL, Airport Authority, *etc*), during the period from November 2013 to July 2016 and SACFA cleared the sites during the period December 2013 to February 2017. |
| 3 | **<u>Clearance from BBMP</u>**<br>❖ Request for clearances for erecting communication towers at 10 locations was made by BESCOM during November 2012, *i.e.* after lapse of 11 months from original schedule date of completion. The clearance from BBMP was received in February 2013. |
| 4 | **<u>Control Centers</u>**<br>❖ **BCC1**: Approval for the master control centre at HSR Layout was given in April 2011. The first three tenders invited during April 2013/June 2013 and October 2013 were cancelled due to poor response/single bids. The contract was finalized in the fourth tender (November 2013) and was awarded in February 2014. The work was completed in April 2015.<br>❖ **BCC2**: Land identified initially at AR Circle (KPTCL property) was found to be not feasible and an alternate site at Rajajinagar was finalised only in July 2014. Contract for BCC 2 was awarded in September 2015 and completed in December 2016. |

116 Standing Advisory Committee on Radio Frequency Allocation (SACFA) is an arm of Ministry of Communication, GoI. SACFA makes the recommendations on major frequency allocation issues, formulation of the frequency allocation plan, to sort out problems referred to the committee by various wireless users, Site clearance of all wireless installations in the country, *etc*.

### *Appendix - 18*

### *(Referred to in Paragraph No.2.1.3.1 of Chapter II of Part II)*

### Details of DTCs tagged with consumers as of February 2021

| Sl. No. | Division | No. of DTCs as per GIS | No. of DTCs with consumers tagged | No. of Consumers tagged | No. of DTCs without consumers tagged |
|---|---|---|---|---|---|
| 1 | Hebbala | 4,973 | 2,759 | 3,43,217 | 2,214 |
| 2 | HSR Layout | 8,120 | 5,018 | 5,36,268 | 3,102 |
| 3 | Indiranagar | 2,776 | 1,713 | 2,12,230 | 1,063 |
| 4 | Jalahalli | 1,637 | 923 | 1,49,408 | 714 |
| 5 | Jayanagar | 6,052 | 4,853 | 5,71,717 | 1,199 |
| 6 | Kengeri | 4,066 | 2,506 | 3,07,712 | 1,560 |
| 7 | Koramangala | 4,415 | 2,839 | 2,96,124 | 1,576 |
| 8 | Malleshwaram | 1,701 | 1,508 | 2,21,991 | 193 |
| 9 | Peenya | 2,356 | 2,055 | 3,18,849 | 301 |
| 10 | Rajajinagar | 3,189 | 2,472 | 3,63,810 | 717 |
| 11 | R.R Nagara | 2,464 | 2,257 | 2,65,261 | 207 |
| 12 | Shivajinagar | 5,113 | 3,275 | 3,88,382 | 1,838 |
| 13 | Vidhana Soudha | 945 | 744 | 1,97,392 | 201 |
| 14 | Whitefield | 2,848 | 534 | 99,038 | 2,314 |
| | **Total** | **50,655** | **33,456** | **42,71,399** | **17,199** |

## *Appendix-19*
## *(Referred to in Paragraph No.2.2.1 of Chapter II of Part II)*
## Details of Equity infused by the Government of Karnataka during 2015-16 to 2020-21 and cumulative equity infusion and accumulated loss as of March 2021

**(₹ in crore)**

| Sl. No | Name of the PSU | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Cumulative Equity infusion as of March 2021 | Accumulated loss as of March 2021 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Karnataka State Road Transport Corporation | - | - | - | - | - | - | 242.79 | 1,054.19 |
| 2 | North Western Karnataka Road Transport Corporation | - | - | - | - | - | - | 142.31 | 1,457.08 |
| 3 | Kalyana Karnataka Road Transport Corporation | - | - | - | - | - | - | 99.15 | 952.59 |
| 4 | Bangalore Metropolitan Transport Corporation | - | - | - | 0.13 | - | 7.36 | 174.82 | 1,225.23 |
| 5 | Hubballi-Dharwad BRTS Company Limited | - | - | - | - | - | - | 14.00 | 5.69 |
| 6 | KPC Gas Power Corporation Limited | - | - | - | - | - | - | Nil | 33.85 |
| 7 | Hubli Electricity Supply Company Limited | 69.97 | 229.17 | - | 142.82 | 205.62 | 275.97 | 1,554.24 | 5,128.24 |
| 8 | Gulbarga Electricity Supply Company Limited | 99.61 | 127.30 | 191.50 | 107.20 | 240.57 | - | 1,509.80 | 3,112.65 |
| 9 | Karnataka State Coir Development Corporation Limited | - | - | - | - | - | - | 3.01 | 3.44 |
| 10 | The Mysore Sugar Company Limited | - | - | - | - | - | - | 53.06 | 463.39 |
| | **Total** | | | | | | | **3,793.18** | **13,436.35** |

**(Source: Annual Reports and information furnished by PSUs)**

***Appendix-20***

***(Referred to in Paragraph No.2.2.2.2 of Chapter II of Part II)***

**Claims preferred and actual received by the Transport Corporations towards various concessions**

| Particulars | KSRTC | NWKRTC | KKRTC | BMTC | Total |
|---|---|---|---|---|---|
| **Concessional bus passes to students** | | | | | |
| Period of claim | 2008-09 to 2020-21 | 2014-15 to 2019-20 | 2000-01 to 2020-21 | 2010-11 to 2019-20 | |
| Claim preferred | 3,038.01 | 1,452.67 | 1,634.27 | 1,814.63 | **7,939.58** |
| Actual received | 2,402.10 | 1,046.14 | 1,312.14 | 1,457.90 | **6,218.28** |
| Shortfall | 635.91 | 406.53 | 322.13 | 356.73 | **1,721.30** |
| **Free passes to students belonging to schedule caste and scheduled tribe** | | | | | |
| Period of claim | 2008-09 to 2020-21 | 2014-15 to 2020-21 | 2000-01 to 2020-21 | 2010-11 to 2020-21 | |
| Claims preferred | 1,205.56 | 835.04 | 595.34 | 855.11 | **3,491.05** |
| Actual received | 429.34 | 234.41 | 221.99 | 352.94 | **1,238.68** |
| Shortfall | 776.22 | 600.63 | 373.35 | 502.17 | **2,252.37** |
| **Concession /rebate to senior citizens** | | | | | |
| Period of claim | 2015-16 to 2020-21 | 2010-11 to 2020-21 | 2010-11 to 2020-21 | 2015-16 to 2019-20 | |
| Claims preferred | 90.2 | 80.61 | 102.65 | 31.83 | **305.29** |
| Actual received | 81.08 | 60.95 | 56.19 | 24.13 | **222.35** |
| Shortfall | 9.12 | 19.66 | 46.46 | 7.7 | **82.94** |
| **Concessional passes to physical handicapped/visually impaired persons, freedom fighters / widows of freedom fighters, dependents of martyrs.** | | | | | |
| Period of claim | 2015-16 to 2020-21 | 2014-15 to 2020-21 | 2015-16 to 2020-21 | 2015-16 to 2020-21 | |
| Claims preferred | 267.66 | 122.07 | 110.23 | 39.62 | **539.58** |
| Actual received | 152.72 | 79.82 | 65.2 | 32.65 | **330.39** |
| Shortfall | 114.94 | 42.25 | 45.03 | 6.97 | **209.19** |
| **Grand Total** | | | | | |
| Claims preferred | 4,601.43 | 2,490.39 | 2,442.49 | 2,741.19 | **12,275.50** |
| Actual received | 3,065.24 | 1,421.32 | 1,655.52 | 1,867.62 | **8,009.70** |
| Shortfall | 1,536.19 | 1,069.07 | 786.97 | 873.57 | **4,265.80** |

**(Source: Information furnished by the respective corporations)**

# *Appendix-21*

***(Referred to in Paragraph No.2.2.3.1 of Chapter II of Part II)***

**Claims of ESCOMs towards subsidies**

| Sl. No. | Particulars | Period | Amount (₹ in crore) |
|---|---|---|---|
| **GESCOM** | | | |
| 1 | Approved tariff subsidy | 2007-08 to 2020-21 | 931.86 |
| 2 | Rural Electrification (RE) subsidy arrears | Prior to June 2005 | 30.51 |
| 3 | Subsidy arrears | 2002-03 to 2006-07 | 244.24 |
| 4 | IP set arrears | Prior to July 2008 | 626.06 |
| **Total** | | | **1,832.67** |
| **HESCOM** | | | |
| 1 | Approved tariff subsidy | 2012-13 to 2020-21 | 3,254.95 |
| 2 | Subsidy to ensure 3 *per cent* rate of return on net fixed assets. | Prior to 2006-07 | 541.83 |
| 3 | IP set arrears | Prior to July 2008 | 1,164.76 |
| 4 | Waiver of IP set collections | 2008 | 58.75 |
| 5 | Subsidy receivable with respect to HRECS | - | 27.03 |
| **Total** | | | **5,047.32** |
| **Grand Total** | | | **6,879.99** |

**(Source: Information furnished by the ESCOMs)**

## GLOSSARY

***(Referred to in Paragraph No.2.1.2 of Chapter II of Part II)***

| Sl. No. | Term used in the report | Explanation |
|---|---|---|
| 1 | Distribution Automation System (DAS) | DAS comprising Supervisory Control and Data Acquisition (SCADA) and Advance Distribution Management System (DMS) application software enable an electric utility to monitor, coordinate, and operate distribution components in a real-time mode from remote locations. This would enable reduction in down time for fault location and quick restoration of power |
| 2 | Network Operations Model (NOM) | Data regarding the assets is captured in GIS through Works and Asset Management System (WAMS), and after the mapping of consumers to the DTCs, the data is moved to a proxy server. The data is checked before migrating it to DAS. |
| 3 | Works and Asset Management System – WAMS | An Oracle solution that provides comprehensive operational knowledge of each device's location, characteristics and associated tasks. |
| 4 | Supervisory Control and Data Acquisition System - SCADA | A control system comprising computers, network data communications and graphical user interfaces for high-level supervision of machines and processes. |
| 5 | Line Re-closers –LRC/ Load Break Switches – LBS | LRC/LBS is an automatic switching equipment of overhead line controlled through RTU. |
| 6 | Ring Main Units (RMUs) | RMU is an automatic switching equipment of underground line controlled through RTU. |
| 7 | Remote Terminal Units – RTUs | RTU is a control system for RMU which receives command from Control Centre and sends status data to Control Centre. It has a fault detection function also. |
| 8 | UHF Frequency | Ultra High Frequency (UHF) radio signals are used in satellite communication, GPS, Wi-Fi, television broadcasting, *etc*. |