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

for the year ended March 2020

Government of Karnataka

Report No. 3 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 2020 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 2020.

This Report contains two parts. Part-I of the Report contains 16 compliance audit paragraphs pertaining to Electronics, Information Technology and Biotechnology and Science & Technology Department, Urban Development Department, Public Works Department, Housing Department and Home Department. Part-II of the Report contains seven compliance audit paragraphs pertaining to six public sector undertakings coming under the administrative control of Energy Department, Commerce and Industries Department and Public Works 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 2019-20 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 2019-20 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. Part-I of the Report contains 16 compliance audit paragraphs pertaining to Electronics, Information Technology and Biotechnology and Science & Technology Department, Urban Development Department, Public Works Department, Housing Department and Home Department. Part-II of the Report contains seven compliance audit paragraphs pertaining to six public sector undertakings coming under the administrative control of Energy Department, Commerce and Industries Department and Public Works Department. The overview of Part-I and Part-II of the Report is given below.

Part-I

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 2019-20, as against the total outlay of ₹ 7,54,121 crore, the application of resources was ₹ 5,03,792 crore. While the total expenditure (*i.e.* total of revenue expenditure, capital outlay and loans and advances) increased by 55 *per cent* during the period 2015-16 to 2019-20, the revenue expenditure increased by 49 *per cent* during the above period. The revenue expenditure (₹ 1,74,528) constituted 81 *per cent* of the total expenditure (₹ 2,13,857 crore) during 2019-20.

Coverage of Report related to departments

The Report related to departments included in Chapter II of Part I and the gist of observations emanating from 16 compliance audit observations is given below.

2. Compliance Audit Observations on Departments

The gist of important compliance audit observations is detailed below.

- ***Implementation of Policy initiatives by the Electronics, Information Technology, Biotechnology, and Science & Technology Department***

The Compliance Audit was to assess whether, plans were suitably prepared with reference to the Policy goals/initiatives and that funds provided were utilised efficiently; whether infrastructure facilities were established as enumerated in the Policies; and the internal control and monitoring mechanisms were adequate and functioned effectively. However,

- Planning was deficient as detailed plans were not prepared and four initiatives were abandoned.

- Financial management was poor as funds were released without ensuring utilisation of earlier releases. As a result, the implementing agencies parked the funds in bank accounts and also diverted to other initiatives.

- Key performance indicators were not framed to assess the outcome of the initiatives. Complete and adequate data was not available with the department regard to performance of the startsups funded.

- MSMEs were not benefited as initiatives like CIFs, CFCs, etc., were not completed in time and CoEs did not address the skill gap in the field of emerging technologies.

- Various training programmes conducted lacked accreditation. Additional training licenses costing ₹ 9.04 crore was procured without justification resulted in unwarranted expenditure.

- Initiatives under the four Policies did not contribute to the growth of the targeted sectors as many initiatives were still either under progress or were not completed within the stipulated period as monitoring was inadequate.

(Paragraph 2.1)

- ***Execution and Mapping of Underground Utilities in Bengaluru urban agglomeration***

The Thematic Audit on execution and mapping of underground utilities in Bengaluru urban agglomeration revealed that the State was not able to formulate a legal/regulatory framework for enforcing effective mapping of underground utility assets of various service providers. The mapping of utilities of service providers was incomplete except in BWSSB and GAIL (India) Limited and the mapped data was not accurate and reliable due to absence of periodical updation. The objective of MARCCS to serve as a single window platform for developing synergy between various utility departments during road excavation was defeated due to systemic deficiencies such as absence of updated UG network and lack of control over service providers excavating roads bypassing MARCCS. BBMP also did not exercise adequate enforcement of penal provisions for violations. The BBMP as urban road authority needs to improve its effectiveness in establishing adequate co-ordination among various service providers to avoid unplanned excavations leading to avoidable cost and prolonged inconvenience to public

(Paragraph 2.2)

- Delay in creating the requisite infrastructure had resulted in non-utilisation of quality assurance equipment procured at a cost of ₹ 20.82 crore resulting in unfruitful expenditure.

(Paragraph 2.3)

- Higher design standards were followed without any cost analysis or technical justification resulting in extra expenditure of ₹ 18.50 crore to the exchequer.

(Paragraph 2.4)

- Work order by Executive Engineer despite non-availability of encumbrance free land and failure to foreclose the contract as envisaged in the contractual provisions in such exigencies resulted in award of compensation by the arbitrator aggregating to ₹ 9.10 crore.

(Paragraph 2.5)

- Service Tax of ₹ 3.14 crore paid by the Agency was reimbursed by the Government in contravention of the conditions of the contract.

(Paragraph 2.6)

- Transactions of four months was undertaken covering an expenditure of ₹ 310.51 crore which revealed misappropriation of Government money to the extent of ₹ 3.09 crore through preparation of fake work bills.

(Paragraph 2.7)

- Acquisition of private land without following due process resulted in allotment of developed sites of Bangalore Development Authority (BDA) worth ₹ 44.47 crore as against the awarded compensation of ₹ 10.91 lakh. The land allotted was also more than the prescribed compensation resulting in excess allotment of sites worth ₹ 10.04 crore.

(Paragraph 2.8)

- Manipulation of records and failure of internal control mechanism to verify the genuineness of documents facilitated the applicants to submit fabricated and fictitious documents based on which BDA executed sale deeds for land worth ₹ 10.05 crore.

(Paragraph 2.9)

- Delay in payment of service tax along with failure to claim input tax credit within validity time resulted in avoidable financial burden of ₹ 6.26 crore to BDA.

(*Paragraph 2.10*)

- BDA reimbursed service tax amounting to ₹ 4.34 crore for three housing projects which were exempted from payment of service tax resulting in undue financial accommodation to the contractors.

(*Paragraph 2.11*)

- BDA approved item of work already existing in the scope of contract as variations resulting in undue benefit to the contractor to the tune of ₹ 2.34 crore.

(*Paragraph 2.12*)

- Lack of planning and disorderly execution of underground drainage works by Karnataka Urban Water Supply and Drainage Board resulted in non-completion of the works amounting to ₹ 198.75 crore, depriving the urban population the intended benefits, apart from causing environmental damages.

(*Paragraph 2.13*)

- The failure of Karnataka Urban Water Supply and Drainage Board to follow the procedure prescribed in Karnataka Public Works Departmental code for approval and regulation of payments for variation items resulted in financial loss of ₹ 1.61 crore.

(*Paragraph 2.14*)

- Payment of mobilisation advances without any need based analysis and non-recovery of the advances in a time bound manner resulted in blocking up of Karnataka Slum Development Board's fund with contractors and loss of interest income amounting to ₹ 1.73 crore.

(*Paragraph 2.15*)

- Lax supervision and lack of internal control mechanism resulted in embezzlement of ₹ 4.68 lakh in Superintendent of Police, Tumakuru.

(*Paragraph 2.16*)

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 2020, there were 120 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 ₹ 74,922.04 crore as per their latest finalised accounts as of December 2020. This turnover was equal to 4.60 *per cent* of the State Gross Domestic Product (GDP) for 2019-20 (*i.e.* ₹ 16,28,928 crore) indicating the important role played by the PSUs in the economy. The working PSUs incurred net aggregate loss of ₹ 3,374.05 crore as per their latest finalised accounts as of December 2020.

1. Functioning of State Public Sector Undertakings

Investment in State PSUs

As on 31 March 2020, the investment (capital and long-term loans) in 120 PSUs was ₹ 1,62,348.15 crore. This total investment consisted of 49.94 *per cent* towards capital and 50.06 *per cent* in long-term loans. The investment grew by 75.37 *per cent* from ₹ 92,573.62 crore in 2015-16 to ₹ 1,62,348.15 crore in 2019-20.

Performance of PSUs as per their latest finalised accounts

Out of the 120 PSUs, 107 PSUs are working and 13 PSUs non-working. Out of 107 working PSUs, 54 PSUs earned profit of ₹ 2,729.91 crore and 37 PSUs incurred loss of ₹ 6,103.96 crore. The major contributors to profit were KPCL (₹ 1,209.56 crore) and KRIDL (₹ 293.94 crore). Significant losses were incurred by RPCL (₹ 2,084.95 crore) and GESCOM (₹ 987.59 crore).

The working PSUs showed net aggregate profits of ₹ 155.12 crore during 2016-17 and incurred net aggregate loss of ₹ 144.71 crore, ₹ 2,099.69 crore, ₹ 2,340.99 crore and ₹ 3,374.05 crore during the year 2015-16, 2017-18, 2018-19 and 2019-20 respectively.

Submission of accounts by PSUs

During 2019-20, 110 accounts pertaining to 86 PSUs were finalised, which included seven accounts of six Statutory Corporations. The number of accounts in arrears increased from 57 (2015-16) to 76 (2019-20). Of the 76 arrears of accounts, 70 accounts pertained to the working Government Companies, which were in arrears ranging between one and six years and six accounts pertaining to six Statutory Corporations, which were in arrears for one year.

Coverage of Report related to PSUs

The Report related to PSUs included in Chapter II of Part II and the gist of observations emanating from seven compliance audit observations is given below.

2. Compliance Audit Observations on PSUs

The observations included in this Report 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:

- *Non-achievement of intended objective* - ₹ 118.46 crore

(Paragraph 2.1)

- *Undue favour to a contractor* - ₹ 129.94 crore

(Paragraph 2.2, 2.6, 2.7)

- *Idle investment/ loss of revenue/ Extra expenditure/Infructuous expenditure* - ₹ 39.97 crore

(Paragraph 2.3, 2.4, 2.5)

Gist of some of the important audit observations are given below:

- The quarters built at Bellary Thermal Power Station at a cost of ₹ 118.46 crore by Karnataka Power Corporation Limited did not serve its purpose due to non-occupation by the employees.

(Paragraph 2.1)

- Amendment of pre-qualification criteria in the tender curtailed the competitive bidding and award of contract at higher rates regarding procurement of LT Aerial Bunched cables at an additional expenditure of ₹ 65.34 crore by Bangalore Electricity Supply Company Limited.

(Paragraph 2.2)

- Lapses on the part of Mysore Sales International Limited in execution and operation of Karnataka Bhavan at Navi Mumbai resulted in non-achievement of stated objective, time and cost overruns, idle investment of ₹ 36.89 crore and loss of revenue of ₹ 1.31 crore.

(Paragraph 2.3)

- The decision of Karnataka Soaps and Detergents Limited for purchase of Pleat Wrapping Machine at a higher price from a sole manufacturer/supplier on the grounds of reduced operating speed resulted in avoidable excess expenditure of ₹ 1.08 crore.

(Paragraph 2.5)

- Karnataka Road Development Corporation Limited paid early completion bonus of ₹ 63.63 crore to the Concessionaires in contravention of provisions of the Concession Agreements.

(Paragraph 2.7)

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 2015-16 to 2019-20 is given in table below:

Table No. 1.1: Budget and actual expenditure of the State during 2015-16 to 2019-20

(₹ in crore)

Expenditure	2015-16		2016-17		2017-18		2018-19		2019-20	
	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual
General services	30,997	30,799	35,018	31,265	38,009	34,484	45,744	42,655	50,492	48,824
Social services	45,728	46,307	50,960	54,549	55,887	58,652	70,226	67,935	71,350	66,373
Economic services	32,175	33,846	38,277	40,421	43,671	42,856	44,152	48,285	52,907	52,636
Grant-in-aid & contributions	6,549	6,076	5,980	5,686	7,187	6,490	6,167	5,425	6,856	6,425
Total (1)	**1,15,449**	**1,17,028**	**1,30,235**	**1,31,921**	**1,44,754**	**1,42,482**	**1,66,289**	**1,64,300**	**1,81,605**	**1,74,258**
Capital outlay	20,564	20,713	25,716	28,150	32,033	30,667	35,246	34,659	40,080	35,530
Loans & advance disbursed	733	657	625	1,934	1,597	5,093	5,817	4,487	2,503	4,069
Repayment of public debt	5,788	4,110	6,841	7,420	8,176	8,269	11,136	11,083	9,964	10,180
Contingency fund	5	0	5	0	5	0	5	0	5	0
Public accounts disbursement	2,83,523	1,55,095*	3,42,036	1,67,154*	5,09,624	1,94,537*	5,10,667	2,34,330*	5,19,964	2,45,292*
Closing balance	-	27,118	-	34,354	-	26,184	-	22,004	-	34,463
Total (2)	**3,10,613**	**2,07,693**	**3,75,223**	**2,39,012**	**5,51,435**	**2,64,750**	**5,62,871**	**3,06,563**	**5,72,516**	**3,29,534**
Grand Total (1 + 2)	**4,26,062**	**3,24,721**	**5,05,458**	**3,70,933**	**6,96,189**	**4,07,232**	**7,29,160**	**4,70,863**	**7,54,121**	**5,03,792**

***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 ₹ 7,54,121 crore, the application of resources was ₹ 5,03,792 crore during 2019-20. The total expenditure (Total of Revenue Expenditure, Capital Outlay and Loans and Advances) of the State increased by 55 *per cent* from ₹ 1,38,398 crore to ₹ 2,13,857 crore during the period 2015-16 to 2019-20 while the revenue expenditure increased by 49 *per cent* from ₹ 1,17,028 crore to ₹ 1,74,258 crore during the same period. The revenue expenditure constituted 80 to 85 *per cent* of the total expenditure while capital expenditure was 15 to 17 *per cent* during the period from 2015-16 to 2019-20.

During the period from 2015-16 to 2019-20, total expenditure increased at an annual average rate of 12 *per cent* whereas revenue receipts grew at an annual average growth rate of 11 *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 during the years 2016-17 to 2019-20 as 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)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan grants*	5,548	7,045	-	-	-
Grants for State Plan schemes*	8,105	8,102	-	-	-
Grants for Central plan schemes*	139	116	-	-	-
Grants for Centrally sponsored schemes	137	440	11,617	10,393	12,214
Other transfers/Grants to States	-	-	7,316	11,714	17,593
Finance Commission Grants	-	-	2,708	3,374	4,673
Total	**13,929**	**15,703**	**21,641**	**25,481**	**34,480**

*** 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 11 Autonomous Bodies, which are audited under Sections 19(2)[3] and 19(3)[4] 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, 2007[5], 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 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 Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports 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.

Sixteen paragraphs included in Chapter II of Part I were forwarded demi-

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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] Amended during 2020.

officially to the Addl. Chief Secretaries/ Principal Secretaries / Secretaries of the Departments concerned between July 2021 and November 2021 to send their responses within six weeks. Government replies were received in respect of eight paragraphs, which 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 Inspection Reports (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 2020, 2,277 IRs (11,252 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	294	2,530
2	1-2 years	189	1,548
3	2-5 years	605	3,206
4	5-10 years	743	3,037
5	>10 years	446	931
	Total	**2,277**	**11,252**

A review of the pending IRs issued up to March 2020 showed that 294 IRs (2530 paragraphs) were pending for less than one year, 1537 IRs (7791 paragraphs) were pending for more than one year but for less than 10 years and 446 IRs (931 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 101 paragraphs for the period 2003-04 to 2018-19 even as on 31st December 2021.

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 30th November 2021 showed that 148 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 December 2021 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*.**

Karnataka Real Estate Regulatory Authority (established in July 2017) is yet to submit their annual accounts for the years since inception. Delay in submission of annual accounts by the autonomous bodies ranged from three to 36 months as on June 2020. Delay in finalisation of accounts carries the risk of financial irregularities going undetected, and therefore, the accounts need to be finalised and submitted to Audit at the earliest.

Year-wise details of performance audits and paragraphs appeared in Audit Report

1.12. The year-wise details of performance audits and paragraphs that appeared in the Audit Report for the last three years along with their money value are given in table below:

Table No. 1.4: Details regarding the performance audits and paragraphs that appeared in the Audit Report during 2016-17 to 2019-20

Sl. No.	Year	Performance Audit		Paragraphs		Replies received	
		Number	Money Value (₹ in crore)	Number	Money Value (₹ in crore)	Performance Audit	Draft paragraphs
1	2016-17	1	1,164.40	13	187.25	0	4
2	2017-18	2	3,349.68	7	1,106.50	0	1
3	2018-19	-	-	11	39.20	0	0

Source: Audit Reports of C&AG of India on Economic and Revenue Sector Audit, Government of Karnataka for the year 2016-17, 2017-18 and 2018-19.

Chapter – II
Compliance Audit Observations on Departments

CHAPTER-II

2. Compliance Audit Observations on Departments

Electronics, Information Technology and Biotechnology and Science & Technology Department

2.1. Implementation of Policy initiatives by the Electronics, Information Technology, Biotechnology and Science & Technology Department

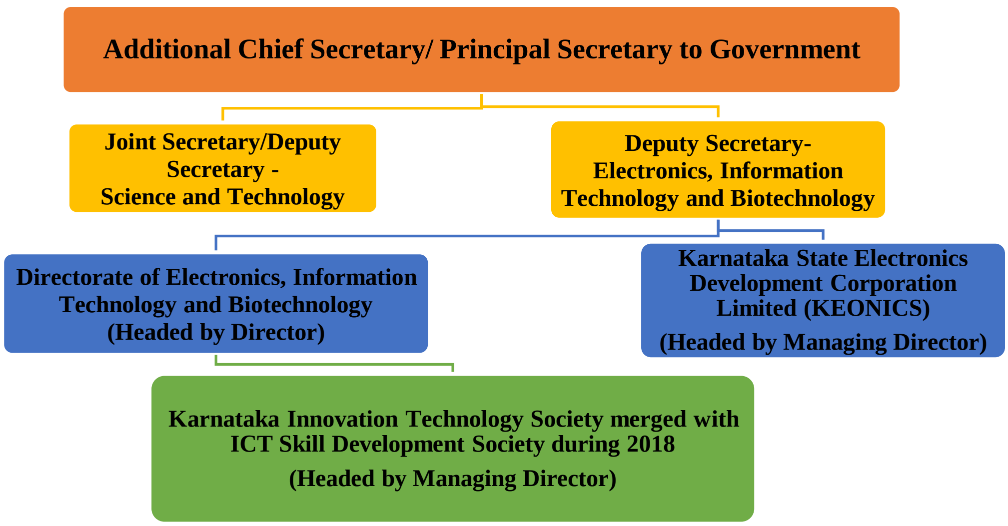
Introduction

2.1.1. In view of the phenomenal growth of IT/ITeS[6] Sector in Bengaluru from the mid-1990s, the Government of Karnataka (GoK) brought out the first IT Policy in the country in 1997 to further the growth of the sector. This was later followed by the 'Millennium IT Policy' in 2000 and Information Communication and Technology (ICT) Policy 2011. The State announced a Karnataka Animation, Visual Graphics and Comics (KAVGC) Policy in 2012 and Karnataka Electronic System Design and Manufacturing (KESDM) Policy 2013.

The $\boldsymbol{i^4}$ policy announced during 2014 primarily intended to provide incentives and concessions across sectors apart from skilling. The Startup policy was branched out from $\boldsymbol{i^4}$ policy during 2015 to promote innovation and to encourage startups. The KAVGC and KESDM policies were revised in 2017. A brief of the afore mentioned four policies are given in ***Appendix-6.***

Organisational setup

Chart No.2.1.1: Showing Organisational setup



[6] Information Technology and Enabled Services.

2.1.2. The Department is headed by an Additional Chief Secretary (ACS) to the Government of Karnataka, and the Directorate of E, IT and BT is headed by a Director who releases the grants to the Implementing Agencies viz., *Karnataka Innovation Technology Society, Bengaluru (KITS)*[7] *and Karnataka State Electronics Development Corporation Limited* (KEONICS), which is a Government of Karnataka owned company. At the Apex level, the ACS carries out the overall monitoring of the activities of the Department.

Audit Scope, Objectives and Criteria

2.1.3. Compliance Audit (CA) on the implementation of the IT related policy initiatives under the Directorate of Information Technology and Biotechnology, for the period 2015-20 was undertaken from November 2019 to December 2020 and covered four policies[8] relating to IT and related sectors.

The CA involved an examination of records in the Secretariat and the Directorate of ITBT. An Entry Conference with the Additional Chief Secretary of E, IT, BT, S&T Department was held in January 2020 to discuss the Audit Objectives, scope, and methodology. Exit Conference was held on 12 August 2021 with the Additional Chief Secretary of E, IT, BT, S&T Department. Audit conclusions were drawn after considering the replies given by the Department.

The Compliance Audit was to assess whether the initiatives envisaged in the Policies were implemented, and the intended targets were achieved, in terms of whether:

- Plans were suitably prepared with reference to the Policy goals/initiatives and that funds provided were utilised efficiently;
- infrastructure facilities were established as enumerated in the Policies; and
- the internal control and monitoring mechanisms were adequate and functioned effectively.

The main sources of Audit Criteria to arrive at the audit findings were:

i) IT, ITeS, Innovation Incentive(i^4) Policy – 2014, Karnataka Animation, Visual Effects, Gaming and Comics (KAVGC) Policy 2012 and 2017, Karnataka Startup Policy 2015-2020, Karnataka Electronic Design and Manufacturing (KESDM) Policy 2013 and 2017 including implementation Guidelines;

ii) Karnataka Budget Manual and Karnataka Financial Code; and

iii) Orders/Circulars of Government/Vision Documents.

[7] Karnataka Biotechnology and Information Technology Services (KBITS) was established in 2001 and was renamed Karnataka Innovation Technology Society, Bengaluru (KITS) in April 2018.

[8] IT, ITeS, Innovation Incentive(i^4) Policy – 2014, Animation, Visual Effects, Gaming and Comics (AVGC) Policy 2012 and 2017, Karnataka Startup Policy 2015-2020, Karnataka Electronic System Design and Manufacturing (KESDM) Policy 2013 and 2017.

Audit findings are discussed under four major headings viz., planning, financial management, policy implementation and monitoring.

Planning

Annual Plans not being comprehensive

2.1.4. The Department, through the *four* policies covered in audit, provided a roadmap for implementation of 36 initiatives, of which, about 22 were directed towards promotions[9] and 14 were programme[10] based (details given in ***Appendix-7***). The policies also prescribed specific goals like stimulating 20,000 startups, providing direct and indirect employment to 18 lakh people, *etc*. The goals/targets set in the Policies were to be achieved in a span of five years.

Audit scrutiny revealed that the Department did not make any comprehensive Annual Plans (APs) covering the initiatives like AVGC Parks, Venture Capital Funds, Mega Projects, engage with the 50 top ESDM companies of the world to invite investments into the State, *etc*. due to which, the implementation of the Policy initiatives is likely to witness slippages. The deficiencies in the implementations are discussed in ***Paragraphs from 2.1.11 to 2.1.18.***

The Government replied (August 2021) that action would be taken to prepare the Annual Action Plan comprehensively comprising all schemes. With respect to achieving the goals, it was stated that goals were only aspirational and relevant for industry as a whole and could not be taken as target for assessment. The reply is not tenable as the initiatives taken to address the gaps and needs of the industry require fixing of key performance indicators (KPIs) to gauge the outcome of the initiatives. However, the Department did not fix any such KPIs to assess the impact of the departmental efforts.

Financial Management

Budget and Expenditure

2.1.5. As per Finance Department guidelines No. FD11 BPE 2014 dated 30 October 2014 for preparation of expenditure estimates, budget estimates have to be prepared with due care and forethought and should be based on realistic requirement of funds. Anticipated savings which are not requried should be surrendered to Government.

The abstract of yearwise budget proposals, grant and expenditure for the period 2015-20 under the four policies are given in the following table:

[9] Promotional based initiatives included Stamp Duty Exemption, Concessional Power Tariff, *etc*.

[10] Program based initiatives included Skilling programs and setting up of Centres of Excellence, providing incubation facilities, funding early-stage startups, *etc*.

Table No. 2.1.1: Year-wise abstract of budget and expenditure

(₹ in crore)

Sl. No.	Year	Proposals	Budget	Grant-Opening Balance	Grants released	Total Grants received*	Total expenditure #	Grant closing Balance
1	2015-16	276.96	80.24	69.36	73.73	73.73	34.65	89.47
2	2016-17	141.93	88.98	89.47	88.98	95.35	33.33	135.94
3	2017-18	178.40	147.76	135.94	140.76	162.72	137.91	144.12
4	2018-19	225.09	106.70	144.12	101.30	106.19	103.29	149.54
5	2019-20	97.68	87.28	149.54	52.59	58.36	99.93	94.58
Total		**920.06**	**510.96**	**69.36**	**457.36**	**496.35**	**409.11**	

Source: *Consolidated from information furnished to Audit*

** Includes other receipts/transfers– ₹ 38.99 crore; # excludes transfer/reappropriations– ₹ 66.61 crore.*

- Though Government released (2015-20) nearly fifty *per cent* (₹ 457.36 crore) of the budget sought (₹ 920.06 crore), the Implementing Agencies were not able to utilise the funds so released. The Implementing Agencies could not spend the amount equivalent to the opening balance in four out of five years. Though funds were released on a quarterly basis, the Department failed to ascertain the requirement considering the trend in utilisation which had resulted in parking of funds in bank deposits. For instance, under Startup Policy the unspent balance of 2017-18 was ₹ 52.48 crore. The budget allocation of ₹ 44.04 crore for 2018-19 was released in four equal instalments of ₹ 11.01 crore each during the year. The entire grant remained unutilised at the end of the year.

- As per GO No. FD 53:BG 2003 dated 03 July 2003 issued by the Finance Department, the interest earned in bank accounts should be remitted to Government account 0049-04-110-0-01. The Department utilised ₹ 4.60 crore from the interest earned and had retained interest income of ₹ 22.05 crore as of March 2020 in violation of the FD's instructions. While ₹ 3.53 crore was utilised based on the approval of the Principal Secretary, Department of E, IT, BT and S&T, the remaining amount of interest utilised to the extent of ₹ 1.07 crore was without approval.

- Several instances of reappropriation of funds of ₹ 66.61 crore, from one policy to another policy were also noticed which not only indicated lacuna in planning but also were unnecessary in certain cases. For instance, a sum of ₹ 8.85 crore was reappropriated (2018-19) from Rural Wi-Fi to Startup policy. This was unnecessary as the unspent balance of 2017-18 pertaining to Startup Policy was ₹ 52.48 crore with ₹ 67.10 crore of grants remained unutilised by the end of the year (2018-19) and ₹ 35.60 crore remaining unutilised by the end of next year (2019-20).

Further, Para 162 of Karnataka Financial Code, inter-alia prescribes maintenance of Register of Grants by the sanctioning authority to monitor utilisation and to oversee whether unspent amount has been surrendered. The department, which releases the grants, had not maintained any control record for watching the utilisation of the grants. By the end of March 2020, Utilisation

Certificates to the extent of ₹ 55.73 crore from KITS and ₹ 3.05 crore from KEONICS were pending. The details are shown in ***Appendix-8 and 8A***.

In reply (August 2021), the Government stated that the funds were parked in banks as Implementation Agencies were not able to utilise the funds due to the reasons beyond the control of KITS. The interest was utilised after the approval of the competent authority as there was dearth in funds in each of the financial years. Utilisation Certificates (UCs) have been submitted by KEONICS and KITS up to 31 March 2021.

The reply is not acceptable as powers were not delegated by the Government to utilise revenue earned from interest. The dearth of funds as stated is not clear as there were surplus/unutilised funds every year.

Further, the UCs submitted reflected unutilised balances from 2015 were not observed/noted through a Register of Grants. A cumulative balance of such unutilised balances was still not prepared by the Department (November 2021).

Delay in development of IT Parks in Tier-2 Cities

2.1.6. As per GO No. MTE 38 MDA 2008, Bangalore, dated 25 February 2009, GoK agreed to infuse equity contribution of ₹ 10 crore to KEONICS subject to the conditions that

- KEONICS should take an equity stake in the Joint Venture to be formed with a private partner who should be selected through a competitive and transparent process;
- The equity support provided to KEONICS is to enable them to borrow more funds for taking up large IT infrastructure projects and not for subsidising the IT units; and
- An appropriate debt and equity financing model which avails the benefit of the tax-shield and which enhances the project viability should be considered.

The GoK in the budget announcement for the year 2008-09 had proposed to set up IT Parks in six tier-2 cities[11] by KEONICS through Joint Ventures with private participation.

Audit scrutiny showed that ₹ 22.80 crore[12] was released by GoK between 2008-09 and 2019-2020 towards equity for the development of IT infrastructure in tier-2 cities. However, KEONICS established (2012) two IT Parks in only two tier-2 cities (Kalaburagi and Shivamogga) with a built-up area of 1.27 lakh sq. ft. and that too without private sector participation.

The Government replied (August 2021) that KEONICS had proposed to establish IT parks in tier-2 cities, but the proposals could not be taken forward

[11] Hubli-Dharwad, Belgaum, Kalaburagi, Shivamogga, Davanagere and Mangalore.
[12] Against an amount of ₹ 28.00 crore invested by KEONICS for two IT Parks at Shivamogga and Kalaburagi.

as the land required for the purpose was not allotted by the Revenue Department and additional budgetary support was not extended. Company had invited expression of interest *five* times from May 2009 to July 2011 for establishment of IT Parks at Mysore and Mangalore on Public Private Partnership (PPP) mode, but the response was poor. The Company has however now proposed (2021) to take up IT Parks at Mangalore and Shivamogga (Phase 2). It was also replied that occupancy in IT parks was not encouraging.

The reply is not tenable as the Departmental support to KEONICS in obtaining the land, a primary requirement, for taking the programme forward was lacking. Besides, the conditions of release of equity were not adhered to by KEONICS. KEONICS utilised the entire equity amount for establishing only two IT parks against six IT Parks planned and the condition relating to ensuring private sector participation was also violated. Therefore, utilisation of equity amount was irregular. Further the average occupancy of the IT parks at Kalaburagi and Shivamogga was about 90 *per cent* by the end of March 2020 which did not support the Government's reply of poor occupancy of IT parks already established.

Financial support to Startups

2.1.7. Startups are companies or ventures focused on a products or services, innovative in nature and leveraging technology. They do not have a fully developed business model and more crucially lack adequate capital to move onto the next phase of business. Incidentally, the failure rate is high, a risk factor associated with such ventures. Government which plans to support these startups should be more objective in critically evaluating the project business models as that will be crucial in deciding the success of these startups. Thus, the success largely hinges on critical evaluation of project proposals which poses a major challenge as the project proposals more often paint a rosy picture.

The Department brought out different strategies like Grant-in-aid to early-stage startups, funding projects with a solution for social problems, New Age Incubation, *etc*., with the core common objective of commercialisation of the ventures so supported.

Proof of Concept initiative (Idea2PoC)

2.1.8. Idea2PoC (Proof of Concept), a multi-sector initiative was launched (2016) to encourage innovators who require early-stage funding to stimulate commercialisation of their inventions and to help in validating proof of concept. The grant-in-aid of up to ₹ 50 lakh would be extended to selected startups for a project duration not exceeding two years.

M/s. KPMG was engaged (September 2017) as the Implementing Partner for evaluation, recommendation for selection, and monitoring of the scheme for ₹ 16.48 lakh per month and this process was taken over by KITS from March 2019 and onwards. By the end of December 2019, 357 startups were selected for financial assistance (₹ 87.38 crore) and ₹ 73.62 crore was released by May 2020. KITS had conducted surveys during 2018, 2020 and 2021 and shared the latest survey report with Audit.

Audit scrutiny revealed the following:

- Implementing Partner had been furnishing periodical returns with details of grant-in-aid released and to be released, without showing the progress of each startup. KITS should not have released the grant of ₹ 6.51 crore to 28 startups as the Implementing Partner did not make available the evaluation reports. Thus, the release of funds was irregular.

- As per the survey report of August 2021, 232 out of 357 startups had responded to the survey conducted by KITS during August 2021 and 67 startups had raised funds. The Department had no clue about 125 startups which had not responded. The survey questionnaire did not contain critical information like the product/service for which the grant was sanctioned. The list also contained 54 startups which had not achieved their milestones but were shown to be in commercialised/growth stage.

Further, Audit could not validate the data furnished as contact details (address of the startup, email address, website details, registration *etc*.) were not available in the survey report. Thus, the Department did not have any idea as to whether its intervention through funding had yielded the desired results or not.

The Government replied (August 2021) that,

- the details of the 28 startups were not available from the reports submitted by KPMG.

- Startup cell in KITS had put a system in place for continuous monitoring of Startups and has conducted three surveys to get feedback from the Startups to ascertain the status of their projects.

The reply is not acceptable

- as the accountability was not fixed for irregular release of funds to the 28 startups.

- the audited annual accounts of the startups would give better insight into the actual performance of the startup rather than an unverified survey report.

Grand Challenge Initiative (Channelising Innovation for Social Impact through contests – Solutions failed to culminate in successful ventures)

2.1.9. The Department in August 2016 launched "Grand Challenge Initiative" seeking innovative solutions in sectors having a social impact. Each challenge was to identify a host department around which the Challenge was to be framed and targeted to support 25 winners in a five-year period. M/s IKP was appointed as the Implementing Partner.

Phase I involved identification of around five innovative projects having potential for adaptation by the host Department and under Phase II one shortlisted innovation was to receive funding of up to a maximum of ₹ 50 lakh in a period of 12-15 months for pilot implementation. Between August 2016 and August 2017, six calls were invited. KITS shortlisted six solutions and ₹ 3.13 crore was released as grants.

Audit scrutiny revealed that KITS did not release the balance funding of ₹ 1.37 crore to six startups under Phase II (₹ 1.08 crore released against the committed amount of ₹ 2.45 crore). The programme was practically abandoned after pilot rollout as none of the innovative solutions were scaled up for adoption by the host department. The expenditure of ₹ 4.13 crore[13] towards Grand Challenge Initiative did not yield the intended results. The details of the product/service, host department and their status are shown in ***Appendix-9*.**

The Department replied (August 2021) that startups had scaled up their solutions and raised external funding and that most of the solutions could be scaled up and used for commercialisation outside the Government Departments.

The reply was not accepted as the objective of the programme was to provide a solution that was to be adopted by the concerned department(s) and six solutions that had been selected and funded were disbanded. Thus, the expenditure of ₹ 4.13 crore became unfruitful.

New Age Incubation Scheme Network (NAIN)

2.1.10. As per the Policy, NAIN is implemented to create an ecosystem that promotes innovation in engineering colleges. It was expected that mentors assigned to the students would help them to formulate a business model and encourage them to think like entrepreneurs. The Policy contemplated selection of Engineering Colleges as incubation centres. Each centre would select 10 projects for incubation. This would facilitate mentorship and financial support to the engineering college students with the objective of fostering entrepreneurship[14] and developing business models with the active support of Industry, Academia and Government. Top ten ideas/projects in each year, proposed by students in 50 engineering colleges were to be provided seed money of up to ₹ 3 lakh for each project. An Incubation Centre (NAIN) was to be established in each college which was to get financial support of ₹ 10 lakh per year towards operational expenditure.

A Central Steering Committee constituted (December 2014) under the Chairmanship of Secretary, IT, BT & S&T was responsible to review the projects for funding. As per Operating Procedure and Guidelines for Startup Policy 2015, performance of each centre would be based on KPIs like number of companies incorporated, conduct of actual business by student innovator teams, Angel/Venture funding received, *etc*.

KITS released ₹ 4.80 crore[15] (April 15 to February 19) for 374 projects to *nine* colleges for Phase I of the programme and out of this, ₹ 3.92 crore was spent. Against 374 projects, 151 projects were reported to have been completed.

Audit scrutiny revealed the following.

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[13] ₹ 100 lakh to IKP; ₹ 204.84 lakh to phase-1 awardees and ₹ 108 lakh to phase-2 awardees
[14] Is the ability and readiness to develop, organise and run a new business to make profit.
[15] ₹ 2.40 crore for CAPEX and ₹ 2.40 crore for OPEX.

- As per data made available to Audit, 18 companies were reported to have been registered. The details of products developed and marketed by these 18 companies were however not available with the Department.

- Department did not have any mechanism to assess the business potential of completed projects and scale up the prototypes developed.

- As the projects were college projects, the risk factor involved would be whether the students would continue with the business ventures after completion of their academic course. This risk was not factored in at the scheme formulation stage. This is evident from the fact that 61 projects were abandoned.

Thus, the scheme focussing on making students as entrepreneurs was erroneous/defective which was required to be reviewed periodically. In the Exit meeting, the Department accepted that Phase I of the programme was a matter of concern and corrective measures would be taken in subsequent phases. However, the corrective measures contemplated were not furnished to Audit.

Policy implementation

Incubation programmes

2.1.11. All the Policies intended to provide incubation facilities across sectors to nurture the growth of Startups. Incubation is a business development processes encompassing infrastructure and mentoring which plays a very important role in nurturing and growth of new and small businesses by supporting them in their early stage of development. The objective is to facilitate the creation of ideas and inventions that benefit society and also make them commercially ready by the end of the incubation programme which is a key indicator of a positive outcome of a programme/scheme. Considering the importance of incubation facilities, the four policies intended to provide incubation centres.

Technology Business Incubators

2.1.12. The Startup Policy 2015, contemplated establishment of Technology Business Incubators (TBI)[16] at Institutes of higher learning to foster strong links between research and development (R&D) and commercialisation of technologies by the technology/innovation-based startups for the technologies so developed. As per the Startup Policy, GoK was to provide grant-in-aid towards the initial capital cost for equipment and facilities as well as recurring costs of management of the TBI for a period of three years (extendable for another two years by the end of which they were supposed to become self-sufficient) while the built-up space was to be provided by the Host Institutes (HIs).

KITS signed MoAs (January 2018) with five short-listed Host Institutes after inviting applications from institutions having a strong R&D focus as a criterion. As per *clause* 11.1.3 of the MoA, KITS shall bear 70 *per cent* and the Host

[16] TBIs to be established by HI were to be registered societies under the Societies Act.

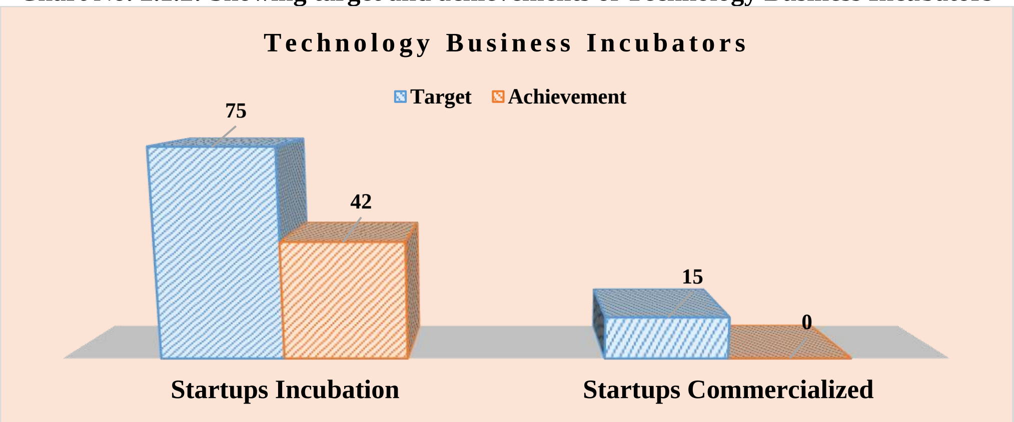
Institute shall bear 30 *per cent* of the annual operational costs (OPEX) subject to a maximum of ₹ 50 lakh[17] per year and excess, if any, shall be borne by the HI. The TBIs were to be operationalised within 120 days (*Clause* 8.2) of the execution of the MoA. The following were the key milestones (*Clause* 11.1.4) as per the MoAs:

- Selection of a minimum of five startups each year;
- Successful incubation and graduation of a minimum of two startups each year;
- Commercialisation of a minimum of one new product, technology or innovation.

The MoA fixed a target enrollment of 75 startups and commercialisation of 15 new technologies in the three-year period. The performance of the TBI was to be monitored on a qualitative and quantitative basis by the State Expert Advisory Committee[18].

KITS released (February 2018 and March 2021) ₹ 17.22 crore towards CAPEX[19] and ₹ 3.15 crore towards OPEX[20]. As of October 2020, 42 startups had reported as enrolled for incubation and none were commercialised.

Chart No. 2.1.2: Showing target and achievements of Technology Business Incubators



Audit scrutiny showed that

- the projections of the commercialisation[21] of the new products/innovations/ technologies developed by these 42 startups were not done though it was important to avoid deployment of resources on non-viable ventures.
- the TBIs were to become self-sufficient by the end of the fifth year. The Department did not chalk out proposals for self-sustainability of the

[17] ₹ 35 lakh as KITS share and ₹15 lakh as HI share.
[18] The State Expert Advisory Committee was constituted in January 2017. The Committee is chaired by the Principal Secretary, IT, BT and S&T, Government of Karnataka and is responsible for screening and selection of institutions to establish TBI. The SEAC is also responsible to review the performance of TBIs.
[19] CAPEX – Capital Expenditure.
[20] OPEX – Operational Expenditure.
[21] A process of bringing a new product or service into the market to achieve commercial success.

TBIs after the completion of the period of support of GoK grants. The monitoring should have been oriented towards successful commercialisation of each startup but was only confined to the release of funds.

Thus, the expenditure of ₹ 20.37 crore incurred towards establishment of five TBIs had largely remained unfruitful as none of incubated startups were commercialised as per the targets set in MoA.

The Government replied (August 2021) that efforts would be made to achieve the target within the project period and TBI would become self-sustainable from rentals and support from GoI and Host Institute. The reply is not tenable as the policy period of 2015-20 had already lapsed and there was a significant shortfall in the performance of TBIs in terms of the number of enrolments of startups and '*nil*' achievement in commercialisation of startups. Therefore, the sustainability plan was also not supported by the funds from GoI/Host Institutes.

Establishment of Common Instrumentation Facilities (CIF) under the Startup Policy

2.1.13. Startup Policy 2015-20 envisioned setting up of incubators in association with industry bodies, trade associations, think tanks or similar non-profit organisations. Government approved (December 2016) establishment of five[22] CIFs equipped with required instruments and equipment for hardware-based startups at a cost of ₹ 22.68 crore[23] in association with M/s IKP Knowledge Park[24] (IKP), a non-profit organisation. The project was fully funded by GOK and these CIFs were expected to be self-sustaining out of rentals from incubatees after the fifth year. The MoA concluded (July 2017) with M/s IKP stipulated procurement of appropriate instrumentation facilities for the industries concerned and listing out milestones to be achieved during the tenure of the MoA. Four CIFs had become operational between July 2018 and November 2018 while the fifth CIF at Shivamogga commenced in June 2020.

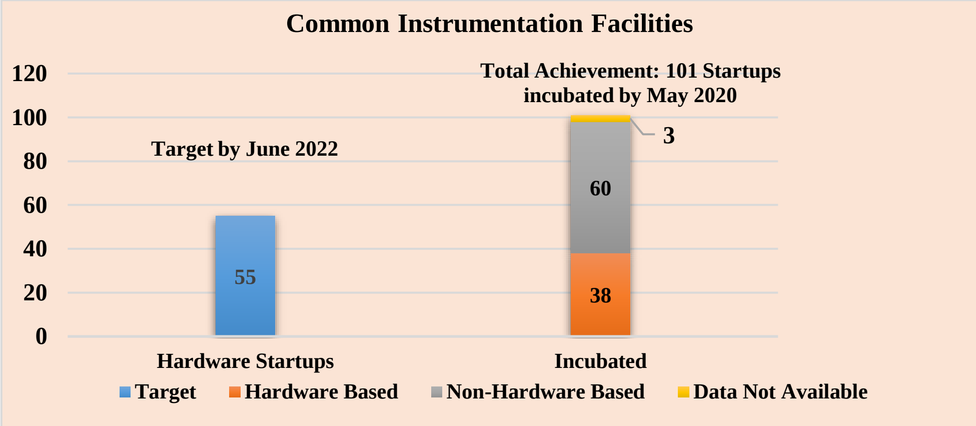
As per the MoA, the cumulative target of enrolment and successful exit was 55 startups by the end of the fifth year (July 2022). As per the progress report till the end of May 2020, the four CIFs had enrolled 101 startups since inception and 49 startups were under incubation which meant that 52 startups had exited.

22 Jalahalli (Bengaluru), Mangaluru, Belagavi, Mysuru and Shivamogga.

23 CAPEX – ₹ 10 crore, OPEX – ₹ 10.68 core & Hub Support – ₹ 2 crore.

24 IKP Knowledge Park (IKP) a Section 8 Company is a not-for-profit Science Park and Technology Business Incubator (having operations in Hyderabad and Bangalore). Government vide order dated 19 December 2016 had also granted 4(g) exemption under KTPP Act to IKP for direct entrustment of five CIFs for ₹ 22.68 crore for five years.

Chart No. 2.1.3: Showing target and achievements of CIF Centres



Audit scrutiny revealed the following:

- It was not clear as to whether the 52 startups had exited successfully as no details were made available to Audit regarding raising of funds by these startups. Hence it can be construed that these startups had not exited successfully. No post analysis was conducted by KITS to ascertain the reasons for unsuccessful cases, if any, to take remedial measures;

- Non-hardware-based startups (60 cases) were also enrolled as seen from the data in respect of 98 enrolments furnished to Audit. The MD, KITS after inspection of CIF at Mysuru opined (September 2019) that the core idea of CIF was not realised due to low equipment usage as a majority of the startups that enrolled were non-hardware-based which used the CIF more as a co-working space. As the MoA did not specifically stipulate that the enrolments were only for hardware-based startups, this led to admission of non-hardware-based startups too. This not only defeated the purpose of establishing a sector-specific CIF but also led to the investment of ₹ 13.26 crore not fully being utilised for the specific purpose. The Advisory Committee (earlier Executive Committee) which was to be constituted for drawing the selection criteria was not notified by KITS which led to these ineligible enrolments;

- Out of the ₹ 13.26 crore released, IKP diverted ₹ 3.52 crore for other projects like IKP US aid, IKP Big Project, IKP Bio nest *etc*., which were not sponsored by GoK. However, no action was taken by KITS despite being aware of such diversion.

The Government replied (August 2021) that:

- the MoA (*Clauses* 3.1 and 3.2.3(F)) was designed to emphasise hardware startups but startups from other domains and sectors were also accommodated to make CIFs viable. It was also replied that the Department would also be engaging with the Skill Development Entrepreneurship & Livelihood Department and with Government Tool Room & Training Centre (GTTC) for maximum utilisation of CIF facilities.

- KITS had given instruction to M/s IKP that future expenditure should be booked from dedicated Bank account only.

- As per the latest feedback, 52 startups had exited, 30 were operational and rest were potential startups still at exploration or development stage.

The reply of Government is not tenable as the reply did not provide any explicit provision for accommodating non-hardware startups. Further, the status of commercialisation of 52 Startups left without furnish details of their products to ascertain the success of the CIFs.

Establishment of two similar ESDM facilities in Hubli

2.1.14.1. GoK approved (July 2017) the proposal made by KITS for the establishment of an ESDM cluster along with a Common Facility Centre at Deshpande Foundation in Hubli (firm had offered 5000 square feet of office space with plug & play facility) involving a outlay of ₹ 4.00 crore[25] to benefit MSMEs. An MoA was signed (July 2017) for a period of three years with India Electronics and Semiconductor Association (IESA)[26] as the Implementing Partner for the establishment of the brownfield ESDM cluster. Out of 5000 sq ft, 1000 sq ft was for common instrumental facilities for development of prototypes and remaining 4000 sq. ft space was to house 75-100 workstations for incubation purpose. The grants of ₹ 4.00 crore were fully released (August 2017 and July 2018) and the facility was reported to be completed in July 2018.

As per the MoA, the first year operational expenses (₹ 60 lakh) were to be released by KITS and the centre was to be self sustainable from revenue generated from pay-and-use model from the second year onwards.

At the end of the project period (July 2020), more than 35 startups and MSMEs were stated to be using the facility. Deshpande Foundation sought (August 2020) assistance for operational costs for one more year to make the ESDM Centre self sustaining but the request was not considered on the ground that the project term had ended. Audit scrutiny revealed that neither a demand survey nor a review of financial viability for ESDM was conducted before seeking approval of the project. The sustainable operations of the ESDM centre were therefore doubtful due to poor response.

In reply it was stated that objective was to support ESDM entrepreneurs and MSMEs from surrounding area to use the facilities. The reply is not tenable as the centre was able to incubate (July 2018 to June 2020) only 10 startups and only 22 other startups used the facility within the project period.

2.1.14.2. In the other case, GoK simultaneously approved (July 2017) setting up of a Very Large-Scale Integration (VLSI)[27] Incubation Centre (IC) at KLE Technological University, Hubli for the purpose of developing ESDM chip

[25] CAPEX – ₹ 3.40 crore and OPEX – ₹ 0.60 crore.

[26] IESA is an industry trade body for development of Indian ESDM ecosystem and works with the Government at various levels.

[27] Very Large Scale Integration (VLSI) is a process of creating an integrated circuit by combining millions of MOS (Metal Oxide Silicon) transistors onto a single chip, enabling complex semiconductor and telecommunication technologies to be developed.

design ecosystem at an estimated cost of ₹ 4.00 crore, out of which ₹ 3.20 crore was released (September 2017 and November 2018). IESA which prepared the DPR was made the Implementation Partner. The target was to enroll 10 to 15 VLSI/ESDM startups with a successful exit of five or more startups in the three-year period.

Audit scrutiny revealed that the centre could utilise only ₹ 1.54 crore by the end of October 2020 out of which ₹ 0.33 crore was the operational expenditure. Only *six* startups could be enrolled against the target of 10-15 enrolments and none exited successfully (March 2020). The reason for under utilisation of the facilities was attributed to a similar facility available at Deshpande Foundation, Hubli. The DPR had ignored the incubation and laboratory facilities already available with Deshpande Foundation, Hubli which had resulted in duplication of facility, which was avoidable.

In reply (August 2021) the Government stated that during the DPR submission, the new facility of Deshpande Foundation was not in existence. The reply is not tenable as both the centres were approved simultaneously by GoK during July 2017 and proposal by DF was already known to the Department.

Infrastructural facilities

2.1.15. KITS was tasked with the implementation of initiatives like CFCs, ESDM cluster *etc*., in locations outside Bengaluru by equipping the centres with testing equipment to help the hardware based MSME units.

Setting up of Common Facilities Centres

2.1.15.1. The brownfield project estimated to cost ₹ 29.53 crore (GOI – ₹ 21.31 crore, GoK – ₹ 3.49 crore and SPV comprising of *seven* companies – ₹ 4.73 crore) was proposed to be set up at Mysuru to benefit 30 MSME units. It was reported to be nearing completion (expected by August 2021) against the original date of completion in September 2016. The delay had led to cost escalation, with the revised cost pegged at ₹ 48.53 crore (GOI – ₹ 32.31 crore, GoK – ₹ 8.49 crore and SPV comprising of *seven* companies – ₹ 7.73 crore) while grants released was ₹ 31.92[28] crore.

Audit scrutiny revealed that:

- the delay was mainly attributable to the inability of the Industry Partner to mobilise funds to meet their share of project contribution, delay in opening an escrow account, providing bank guarantee *etc*., as envisaged in GOI guidelines (April 2013).
- there was a shortfall of ₹ 16.61 crore to complete the project and release of grants was pending (August 2021). The project completion period, a critical factor in project management to realise the intended benefits, had not been fixed.

[28] GOI ₹ 16.32 crore; GOK ₹ 8.49 crore and SPV ₹ 7.11 crore.

Thus, the ESDM facility had not fructified (August 2021) though it was sanctioned six years ago, leading to locking up of ₹ 31.92 crore on incomplete work.

In reply (August 2021), the Government stated that installation of equipment could not be completed due to the pandemic and would be made functional with additional support from GOI/GOK.

The reply is not tenable as the reasons for cost escalation was due to underestimation and omission of certain components/equipment in the DPR, incorrect assumption of waiver of taxes and duties, project management being deficient *etc*. Also, no timelines were fixed for completion of the project.

Wasteful expenditure on ill-conceived project

2.1.15.2. GoK approved a proposal by KEONICS for providing Wi-Fi hotspot[29] facility in 2500 Gram Panchayats (GPs) with GoK contributing ₹ 79.50 crore[30] as Viability Gap Funding (VGF) for three years. The project cost was worked out to be ₹ 62.50 crore annually which was to be offset gradually by the revenue realised, thereby achieving self-sustainability by the fourth year based on the increase in the subscriber base.

A total of 2650[31] GPs were proposed to be covered under the scheme by KEONICS (500 GPs) and ICT Skill Development Society (2150 GPs) which later merged with KITS during June 2018. KEONICS engaged BSNL, who in turn had engaged a Channel partner, viz., Wireless Solutions Inc. for implementing the scheme and ICTSD Society engaged CSC e-Governance Services India Limited (CSC)[32] as its Service Provider. However, in both cases the Wi-Fi scheme was abandoned after the first year of operation. In the case of BSNL, the infrastructure laid was reported (January 2019) to be removed. Though BSNL had claimed (28 January 2019) an amount of ₹ 14.75 crore as per agreement towards the execution of this project, ₹ 10.10 crore was paid. While in the case of CSC, as on 5th September 2018, though it was claimed that 1782 GPs were live, the number of live GPs sharply dropped to 930 on 4th July 2019. Further, the status of the live GPs was not available in files. The total payments made to CSC was ₹ 19.48 crore (December 2017 to February 2019).

Audit observed that the GPs were selected without ascertaining their financial viability. Besides, a detailed Service Level Agreement (SLA) was not entered into with both BSNL and CSC, though stipulated by the Government, which resulted in no clarity regarding milestones, payment schedules, monitoring reports, penal clauses, security, *etc*. There was a series of correspondences and disputes which could not be amicably settled. Lack of SLA culminated in a

[29] The connectivity envisaged through 'Wi-Fi Hotspots' by tapping the National Fiber Optic Network (NOFN) was taken up (October 2011) by GoI and was later known as BharatNet, as per GoI mission under Digital India.

[30] The budgetary support from GoK contemplated was ₹ 50.50 crore for the 1st year, ₹ 26.50 crore for the second year and ₹ 2.50 crore for the 3rd year.

[31] An additional 150 GPs were further proposed out of grant of ₹ 3.00 crore earlier vide G.O dated 03 August 2017.

[32] A GoI (SPV) initiative to oversee the implementation of (Common Service Centres) CSC scheme.

frictional relationship with the service providers who closed their operations due to lack of business viability. One of the service providers was KEONICS which mooted the proposal in the first instance but whether they had conducted any pilot programme or not was not clarified to Audit. The Government too, did not insist upon conducting a pilot study before giving its approval.

Thus, the ill-conceived scheme of providing Wi-Fi in Gram Panchayats without proper feasibility studies and detailed agreement conditions had resulted in wasteful expenditure of ₹ 29.58 crore to the exchequer.

In reply (August 2021) the Government stated that KEONICS had conducted a feasibility study (November 2016) before placing the service order on BSNL. The reply is not acceptable as the results of the feasibility study were not on record. Besides, KEONICS was made responsible to ensure financial viability in selection of GPs which was also not on record. Hence, attributing the failure to non-viability at a later stage lacked justification. It was not clear as to how KEONICS could conclude that the program was feasible within one year of pilot operations, the results of which were not reported. Therefore, it can be concluded that the program failed due to lack of proper survey and feasibility studies. The reply was also silent about the status of program implemented by ICTSDS (KITS).

Skilling and Centres of Excellence

Unfruitful expenditure of ₹ 1.42 crore due to deficiencies in planning and implementation of Skilling Program

2.1.16. The GoK announced (2017) the Yuva Yuga programme to train 1.10 lakh persons by KITS (43,000) and KEONICS (67,000) to address the skill gap and for assured placements in IT/ITES sector. The guidelines (June 2017) envisaged accreditation of centers for imparting training. KITS appointed 18 training/industry partners while KEONICS brought on board the existing franchisees for imparting training. The MoA between KITS and training partners included staggered payments on course fee (10 *per cent* at enrolment, 70 *per cent* on completion of training and balance 20 *per cent* on providing placement). The Department allocated ₹ 11.81 crore[33] (2017-18) against which ₹ 1.42 crore[34] was incurred. The balance amount of ₹ 10.39 crore was held in a savings bank account by KITS as of March 2021.

The Department reported completion of training to 23,235[35] persons (2017-18) without providing the job placement details. The shortfall was attributed to difficulty in identifying unemployed youth and the programme was discontinued thereafter.

[33] ₹ 10.81 crore was re-appropriated from KESDM Policy and ₹ 1.00 crore was released (2017-18) by GoK.

[34] Total expenditure includes payment of ₹ 48.11 lakh towards training by KEONICS, ₹ 39.55 lakh towards training program by ICTSDS; and other expenses towards Advertisements - ₹ 24.40 lakh and Web Portal ₹ 30.00 lakh.

[35] KEONICS – 21,337 against a target of 67,000 and ICTSDS – 1,898 against a target of 43,000.

Audit scrutiny revealed the following lapses:

- None of the training centres/franchisees obtained accreditation from National Skill Development Corporation (NSDC)/Sector Skill Council (SSC) and this was also not enforced by KITS/KEONICS. The lack of recognition for these courses made certificates issued by the training partners of little value. The Skill Development Authority (KSDA)[36], commented (March 2018) that several of these training programmes were just add-on courses[37] for college students and were not specifically directed towards placement;

- The training partners of KITS were paid 80 *per cent* of the course fees (₹ 39.55 lakh) and they chose to forgo the balance 20 *per cent* payable after placement. Thus, persons undergone training were deprived of placement which was the prime objective of the scheme;

- The balance amount of ₹ 10.30 crore was held in a savings bank account by KITS even as of March 2021 without surrendering to the Government as per the extant provisions.

The departmental lapses had thus led to infructuous expenditure of ₹ 1.42 crore as the objective of providing placement was not realised.

Government stated (August 2021) that accreditation involved additional cost to the training partners and no placements were reported as most of the students went for higher education, self-employed *etc*. However, these claims of the Department were not backed by data.

The reply is not tenable as the guidelines prescribed imparting training in accredited centres and engaging unaccredited training centres was incorrect. Due to these lapses the expenditure of ₹ 1.42 crore became infructuous.

Poor progress of Centres of Excellence (CoE)

2.1.17. The Department proposed to set up CoEs keeping in mind the emerging technologies and to create the necessary technical resources through skill development in collaboration with industries/entrepreneurs to give thrust to capacity building. The CoEs were operated by Major Industry Partners like NASSCOM, DASSAULT, IIIT-Bangalore and Association of Bangalore Animation Industry (ABAI). Five[38] CoEs *viz.*, had been established (March 2020) in Bengaluru at a cost of ₹ 74.04 crore. The outcome from CoEs in terms of the training imparted was poor as compared to the originally planned targets as detailed below.

[36] Karnataka Skill Development Authority is responsible for monitoring and regulating skilling in Karnataka.

[37] *viz*., basic courses like MS Office, Tally, Data Entry Operations, Desktop Publishing, Office Management *etc*.

[38] CoE – Artificial Intelligence and Data Science; CoE – Aerospace and Defence; CoE – Cyber Security; CoE – AVGC and CoE – Machine Intelligence and Robotics.

2.1.17.1. CoE for Artificial Intelligence and Data Science

Table No. 2.1.2: Showing target and achievement of CoE for Artificial Intelligence and Data Science

Industry partner	Commencement date; project cost and expenditure	Annual target – Number of persons to be trained	Achieved 2018-19	Achieved 2019-20
NASSCOM	July 2018; Project Cost: ₹ 14.80 crore Expenditure: ₹ 5.40 crore	1000 for first year, cumulative of 4000 for the second year and 35000 by the end of the fifth year	1000 (Shortfall *nil*)	400 (shortfall – 65 *per cent*)

KITS did not finalise the template (*Clause* 12.1.5 of MoA) to capture training details by the CoE. Though 1400 professionals were claimed as trained, audit scrutiny revealed that as many 11 sessions out of 12 sessions were just one day training sessions to different candidates and hence cannot be construed as regular training courses. Further, industry recognised certificates for successful completion of training were not issued.

In reply (August 2021) the Government stated that these were not industry recognised training programmes but capacity building workshops and that programmes were conducted virtually from October 2020. The reply is not tenable as it does not satisfy the MoA requirement of training 35,000 professionals. Moreover, these details of the additional skilled resources were to be added to the data base of the Skilling Department of GoK which was also not done. Hence, a proper monitoring system based on KPIs needs to be put in place to ensure the objectives are met.

2.1.17.2. CoE for Aerospace and Defence

Table No. 2.1.3: Showing target and achievement of CoE for Aerospace and Defence

Industry partner	Commencement date; project cost and expenditure	Annual target	Achieved 2018-19	Achieved 2019-20
Dassault Systemes (DS)	July 2017 Project Cost: ₹ 33.46 crore Expenditure: ₹ 31.05 crore	As per GO No ITD 291 ADM 2016 dated 22 February 2017 about 1600 engineers per annum should be provided with high-end training and skill development	2017-18: 12 (Advanced), 90 (Basic) and 27 (Project Based) 2018-19: 13 (Advanced), 90 (Basic), 1 (Project based) and 186 embedded courses Total 419	73 (Basic); 262 (Embedded courses); 13 (train the trainer); 1 (value stream). Total 349

Initially, GoK procured 27 licenses[39] at a cost of ₹ 16.68 crore from M/s. Dassault Systemes with a target to provide training to 1344 candidates. Immediately after the commencement of the operations (July 2017), GoK procured (September 2017) 15[40] additional licenses at a cost of ₹ 9.04 crore. Audit scrutiny showed that procurement of additional licenses was unwarranted for the following reasons:

[39] The initial package consisted of 25 main licenses and 2 base licenses sufficient to train 1344 candidates per year.

[40] The additional procurement package consisted of 13 main licenses and 2 base licenses.

- The CoE could provide training to only 768 candidates cumulatively in a three-year period (2017-2020).

- The MoA was renewed (February 2021) and the training targets were reduced to 750[41] candidates for the three-year period in various courses. As the overall targets for training were reduced considerably, the hasty decision in the procurement of additional licenses resulted in a wasteful expenditure of ₹ 9.04 crore. This could have been avoided had the Government assessed the demand before contemplating the training program.

In reply (August 2021) the Government stated that the additional licenses would be an asset. The reply is not tenable as the initial procurement of 27 licenses was sufficient to cater to the training courses for 1344 candidates per year which itself was underutilised as candidates trained per year was 256. This shows that need analysis was not done and thus the additional expenditure of ₹ 9.04 crore crore was avoidable.

2.1.17.3. CoE for Cyber Security

Table No. 2.1.4: Showing target and achievement of CoE for Cyber Security

Industry partner	Commencement date; project cost and expenditure	Annual target – Number of persons to be trained	Achieved 2018-19	Achieved 2019-20
Karnataka State Council for Science and Technology (KSCST)	September 2018 Project Cost: ₹ 9.32 crore Expenditure: ₹ 4.93 crore.	4000 (by 2019-20)	310	1073 (2019-20) + 8272 (2020-21)

- The training was mainly done virtually through webinars and workshops of *six* hours to 16 hours duration. No assessments were conducted for these webinars and workshops. Only four courses (duration of *five* to *nine* days) conducted on Cyber Security were subject to assessment. Out of the 837 candidates who attended these four courses, only 73 cleared the assessment which was very poor as compared to the annual target of 4000 candidates to be trained in Cyber Security.

- Details of curriculum and approval of course material, accreditation, recognition by Skill Council, *etc.*, were not obtained by the Department. Thus, the trained persons might not be benefitted due to lack of accreditation which equates to a lack of recognition by the Industry.

- There was also no sustainability plan for the CoE to continue their operations on their own after the initial period of funding (three years) from GoK.

- The progress reports were not structured and did not have any proper format aligned to the MoA deliverables. The achievement of the MoA

[41] Target for three years: Advance Course – 20; Foundation Courses – 150; Train the Trainer – 20; Embedded Courses – 360; Nodal Centre – 150; Lecture Support – 50.

deliverables against internship, startups incubated, reports/newsletter, *etc*., were also not furnished.

In reply (August 2021) the Government stated that the key skill building activities were revised and curriculum for the trainings were prepared based on the guidance of the Technical Committee to include webinars, courses from top institutes, *etc*. The target for achieving sustainability would have to be reviewed in discussion with the Governing Council. The activities of the CoE would be reflected in the dashboard of KITS against each of the tracks.

The reply is not tenable as there was a complete revision of the framework agreed upon in the MoA signed during 2019 after Audit had raised the observations (February 2020 and October 2020). The replies were not supported by relevant documents like revised MoA, deliverables, minutes of the proceedings of the Technical Committee, curriculum finalised, annual targets, *etc*. Hence Audit could not ascertain the performance of the CoE against the benchmarks.

2.1.17.4. CoE for AVGC sector

Table No. 2.1.5: Showing target and achievement of CoE for AVGC Sector

Industry partner	Commencement date; project cost and expenditure	Annual target	Achieved 2018-19	Achieved 2019-20
Association of Bangalore Animation Industry (ABAI)	2019-20: Project Cost: ₹ 48.85 crore Expenditure: ₹ 24.14 crore	Finishing School: The first batch of 82 candidates was to be trained by December 2018 and cumulatively 318 candidates were to be trained by the 3rd batch by December 2019	*Nil*	Not available

The CoE was to have state-of-the-art solutions and digital infrastructure at competitive price for a multitude of services required for AVGC companies. The scope of the CoE included a digital postproduction lab and a finishing school to bridge the gap in skilling to meet the industry requirement. An MoA was executed (January 2018) with Association of Bangalore Animation Industry (ABAI) at a project cost of ₹ 48.85 crore for completion by July 2018. The lab was targeted to generate revenues of ₹ 1.63 crore, ₹ 8.91 crore and ₹ 12.95 crore in the 1st, 2nd and 3rd year of operations respectively from the facilities.

- The CoE was not completed even after a lapse of more than two years as procurement of equipment was delayed. This was due to a dispute between KITS and ABAI regarding the procurement norms to be adopted. This could have been avoided had the MoA been drafted incorporating the norms to be adopted for procurements.

- KITS had released ₹ 24.14 crore which included ₹ 7.53 crore towards operational expenses for the CoE which had commenced operations partially. The facility was being used by four startup companies occupying 53 seats. No details were available regarding procurement of balance equipment required to make the CoE fully operational. The prospects of financial viability of the CoE was hence doubtful considering that the facility was being used by only four companies even after a lapse of more than two years from the due date of completion.

- Though finishing school was stated to be functional, the finalisation of curriculum and reasons for not conducting training programmes were not forthcoming.

Thus, the sector had not been benefitted from the CoE which had only been partially completed even after more than two years (March 2021) from its scheduled date of completion (July 2018).

In reply (August 2021) the Government stated that the facility had started its operation with its own revenue from the month of June 2019[42] and that ABAI had followed all procedures for procurement. It was also stated that ABAI had submitted the procurement list for the third set and fourth batch and that the payment was not released due to non-availability of funds. The facility was being used by *nine* startups occupying 176 seats. The finishing school had conducted webinar sessions for 348 students and was presently working on course curriculum.

The reply is not tenable as the revenue generated was less than 10 *per cent* (₹ 0.94 crore) of the expected revenue of ₹ 10.54 crore by the end of the second year. Further, the procurements had been delayed and equipment were yet to be installed. The curriculum for the finishing school was also inordinately delayed.

2.1.17.5. CoE for Machine Intelligence and Robotics

Table No. 2.1.6: Showing target and achievement of CoE for Machine Intelligence and Robotics

Industry partner	Commencement date; project cost and expenditure	Annual target – Number of persons to be trained	Achieved 2018-19	Achieved 2019-20
International Institute of Information Technology (IIIT-B), Bengaluru	2018-19; Project Cost: ₹ 34.35 crore Expenditure: ₹ 8.52 crore	1000	*Nil*	Not Available

The establishment of CoE was approved (February 2018) for ₹ 34.35 crore in association with IIIT, Bengaluru.

- There was a delay in the signing of the MoA which was signed only during August 2019 *i.e.*, after more than 18 months with deliverables from 2020-21.

- GoK had released ₹ 8.52 crore (June 2020) and slippages in training deliverables could not be ascertained as relevant reports were not available.

- In reply (August 2021) the Government stated that the primary mandate of the CoE was to set up a world class research capability for Karnataka in the areas of Machine Intelligence and Robotics. The COE was at a

[42] 2019-20 – ₹ 42.59 lakh and 2020-21 – ₹ 51.59 lakh.

steady state in its research initiatives and would further focus on capacity building programs. A total 92 research students had been benefited from MINRO research support and 624 beneficiaries had been benefitted from knowledge dissemination programs. The delay was because IIIT-B had not signed the agreements as it required the approval of its Governing Body.

The reply is not tenable as the CoE inter-alia was expected to annually train on an average 1000 undergraduate students and make them job ready. The reply is silent about the key milestone of the number of undergraduates trained and placed.

Thus, the expenditure of ₹ 74.04 crore incurred on skilling through CoEs was largely infructuous as COEs could not be made functional to address the needs of the MSME sector operating in the emerging technologies which require availability of trained personnel. Though the Principal Secretary of the Department had directed (June 2018) KITS that all CoEs were to be monitored monthly, the monthly reviews of all CoEs did not happen. Thus, the Department neglected the important policy initiative of skilling and failed to fulfill the objective.

In reply (August 2021) the Government stated the expenditure of ₹ 74.04 crore incurred on skilling through CoE was not infructuous as CoEs were made functional to address the needs of the MSME sector operating in the emerging technologies. It was also stated that the CoE teams had highly trained staff and that the Department was developing a CoE Dashboard where all the CoEs would be monitored regularly.

The reply is not tenable as the CoEs were expected to generate trained professionals/job ready students for emerging technologies. One day/ short term training like webinars/workshops/mass exposure/ orientation/ foundation/ basic level courses may not achieve this objective. Moreover, the dashboard for monitoring the CoEs was yet to be developed.

Digital Art Centres

2.1.18. The AVGC Policy of 2017 envisaged the establishment of Digital Art Centres for conducting digital art courses in 50 Colleges of Fine Arts, in continuation of the previous policy (2012) programme. Under the programme, each college was allocated a total sum of ₹ 30 lakh in the form of grant-in-aid (₹ 10 lakh per year restricted to a three-year period) to equip the colleges with the required hardware and software[43] and KITS appointed ABAI as the Implementing Agency for the programme.

The Department had released ₹ 5.47 crore (2012 Policy – ₹ 1.47 crore and 2017 Policy – ₹ 4 crore) for the programme under which 267 students in seven colleges successfully completed (2012 Policy) the courses and 381 students (2017 Policy) were still undergoing the training (March 2021).

Audit scrutiny revealed the following lapses/deficiencies:

[43] Like Adobe Photo shop software, Desktops, printers, projector, laptops, Graphic tablet, *etc.*

- KITS in a meeting in August 2016 had insisted that the course had to be certified by National Skill Development Corporation (NSDC). This criterion was also included in the AVGC policy 2017 which proposed to enter into an agreement or MoU with national and international institutes as well as associations such as NSDC, AVGC studios and institutes to bring the latest technology and develop a uniform curriculum for the benefit of traditional art colleges. But the training course was provided without any such recognition and in the absence of a proper accreditation, the programme may not yield the desired results in the form of suitable employment for the training provided.

- ABAI entered into agreements with the Fine Art Colleges with the condition (*Clause* 4(d)) that the ownership of the equipment supplied would remain with ABAI and allowed for the transfer of ownership at the end of three years for a nominal residual value. The Department did not object to the agreement made by ABAI with Fine Art Colleges even though no such stipulation was agreed upon by the Department in the MoA with ABAI. The rationale behind the return of equipment by the colleges to ABAI or purchase at residual value lacked justification as KITS had funded the equipment.

In reply (August 2021) the Government stated that ABAI itself was a recognised authority for issuing the certificates. The reply was silent about the faulty MoA clause for ownership of equipment provided to the colleges. Moreover, the placement details of 134 students were stated to be enclosed.

The reply is not tenable as KITS in a meeting in August 2016 had insisted that ABAI had to provide an endorsement to make the course certified by NSDC. However, the same was not followed up by KITS and the courses continued without proper certification. The list of placements only provided the name of the candidate and their designation without the details of companies (except for 21 candidates) which employed them.

Thus, all the skilling initiatives of the Department across various sectors have failed to give the desired results. Further, during the present times, the concept of imparting training itself has undergone a sea change with the advent of ***Massive Open Online Courses (MOOC)***[44] which are cost effective, flexible learning modules which have gained wider acceptance. Moreover, training is provided by the technology-based companies to their new recruits after campus recruitment. In this context, unless the Departmental interventions in skilling raise the bar and adapt to the modern pedagogies, deployment of resources on non-focused training programmes would not give any benefit and would be rendered superfluous as the intended objectives would not be met. These were overlooked by the Department while framing the skilling initiatives leading to failure and stoppage of the schemes as no placements were reported. Moreover, lack of monitoring of the skilling activities by the Implementing Partners has made the funds spent on these programs redundant and unfruitful. The program

[44] MOOCs are free online courses available for anyone to enrol and provide affordable and flexible way to learn new skills and deliver quality education experiences at scale.

therefore requires a thorough and critical review with focus on the relevance as well as the necessity for such initiatives.

Monitoring

2.1.19. The Department had formed various Committees[45] to monitor the implementation of the programmes/schemes. Though 36 strategies were specifically spelt out to achieve the Policy targets, details/data of achievement in respect of 19 initiatives were not on record. The Committees did not meet periodically to review the hurdles for taking timely remedial measures. Annual Action Plans were limited to seeking grants without ascertaining the utilisation of the available funds.

The Committees set up at the Apex Level did not even meet periodically to assess the progress achieved. A High-Level Implementation Committee under the chairmanship of the Chief Secretary was constituted (January 2013) to push forth initiatives and monitor the implementation of the KIG recommendations in a definite timeframe. However, the details of the meeting and proceedings were not on record.

The Startup Policy Monitoring and Review Committee set up (March 2016) under the chairmanship of the Chief Secretary was non-functional as it did not meet even once. The Startup Council headed by the Chief Minister and comprising 10 industry experts as members constituted (March 2016) to review the implementation of the Startup Policy met only once in September 2016 so far (February 2021).

Further, Audit noticed that though the Government had instructed through circulars (May 2017), the Department had not submitted to the Government the monthly physical and financial reports.

Most of the policy initiatives witnessed slippages due to deficiency in monitoring and thus failed to contribute to the growth of the IT & ITES sectors for which specific Policies were brought out.

Growth of the IT & ITES Sector

2.1.19.1. The seeds sown three decades ago had yielded commendable results with global recognition and development of the ecosystem in at least Bengaluru (a Tier 1 city) in terms of infrastructure, availability of skilled manpower, connectivity, educational institutions, health infrastructure *etc*. The growth of the sector in Karnataka in the six-year period shown in ***Table No.2.1.7*** was largely driven by private sector companies within the State retaining the top position in export revenue from IT & ITES sector. And all this was achieved despite the majority of the Departmental interventions to supplement the growth still being in an implementation stage.

[45] High-Level Implementation Committee, Startup Council, Startup Monitoring and Review Committee

Table No. 2.1.7: IT Sector- Economic Survey data

Indicator	2014-15	2019-20
No of Companies	2560	5500+
Export revenue (₹ lakh crore)	1.80	5.8
Share in country's IT export (in %)	38	40
Share in state GDP (in %)	25	25
Direct Employment (in lakh)	10	12
Indirect Employment (in lakh)	30	31
Karnataka SGDP (lakh crore)	3.44 (base year was 2004-05)	12.01 (base year changed to 2011-12)

Source: *Economic Survey Reports of the State of Karnataka*

In reply (August 2021) the Government stated that the Department has developed a dedicated dashboard for COEs, CIFs, TBIs, *etc*., with an objective to monitor them on a real time basis with respect to their deliverables/outcomes. Further it was stated that there was a Monthly Monitoring Review during which the Department schemes/programs were being monitored in respect of both physical progress and financial progress.

The reply was incomplete as it was not supported by the details of the dashboard and copies of the monthly progress reports.

Conclusion

Detailed plans were not prepared by the Department for implementation of policy initiatives and thus, shortfall in achievement of targets was attributable to poor planning. The financial management was deficient as funds were released without ensuring utilisation of earlier releases. The Implementing Agencies parked the funds in bank accounts and also diverted these to other initiatives. The Key Performance Indicators were not framed to assess the outcome of the initiatives. Complete and adequate data was not available with the Department with regard to performance of the startups funded. The MSMEs were not benefited as initiatives like CIFs, CFCs, *etc*., were not completed as planned. Similarly, the CoEs did not address the skill gap in the field of emerging technologies to meet the requirement of the industries. The various training programmes conducted lacked accreditation. Additional training licenses costing ₹ 9.04 crore were procured without justification, which resulted in unwarranted expenditure. The initiatives under the four Policies did not contribute to the growth of the targeted sectors as many initiatives were still either under progress or were not completed within the stipulated period as monitoring was inadequate.

Recommendations:

- **Planning process needs to be strengthened and performance indicators have to be fixed.**
- **The Department needs to study the industry requirements and complete the planned infrastructure facilities viz., Incubation Centres, CIFs and COEs without further delay.**
- **Training courses without accreditation have to be discontinued.**

- **Department should ensure proper documentation of progress of all activities and compile relevant data about the industries concerned for impact assessment, especially in respect of schemes granting financial assistance.**

- **The Department may fix accountability for irregular release of funds to startups without evaluation reports.**

- **The monitoring process should be strengthened for effective implementation of programmes to realise the intended benefits.**

Urban Development Department

2.2. Execution and Mapping of Underground Utilities in Bengaluru urban agglomeration

Introduction

2.2.1. The utility lines such as sewers, electric cables, telecoms cables, gas and water mains are commonly laid underground in urban areas. These lines are laid over different periods of time by different utility companies and organizations. Utility map shows the positioning and identification of buried pipes and cables beneath the ground. The authorities responsible for urban infrastructure development in Bengaluru city are

- Urban Development Department (UDD) of Government of Karnataka is the authority for regulating right of ways of utility lines

- Bruhat Bengaluru Mahanagar Palike (BBMP) is mandated under Karnataka Municipal Corporations (KMC) Act, 1976 and BBMP Act 2020 for construction and maintenance of public roads in Bengaluru city and for regulating the laying of utility lines in these roads like according permissions to the operators of various urban service providers for road cutting and their restoration *etc*. and thus functions as the road authority for Bengaluru city.

The Chief Engineer (Road Infrastructure) at BBMP is responsible for ensuring laying of these utility lines as per the laid down provisions, who reports to the Commissioner, BBMP. The Additional Chief Secretary, UDD, Government of Karnataka is at the apex level, to whom the Commissioner, BBMP reports.

Guidelines for laying underground utilities and the currently existing system

2.2.2. Paragraph 8 of Karnataka Public works Departmental (KPWD) Code 2014 specified that the design, construction and maintenance of roads shall be in accordance with Ministry of Road Transport and Highways, Karnataka Roads and Bridges Specifications, Bureau of Indian Standards and Indian Road Congress (IRC) standards. Among the above standards, the guidelines on accommodation of utility services on urban roads was issued (May 2011) by IRC (IRC:98-2011). The guidelines stipulated the urban road authorities to maintain of a bank of reference plans (road or area-wise) showing all the existing utility lines with their location and depth.

To provide a single window solution to the road cutting requirements of various utilities/service providers and to ensure adequate coordination, Bruhat Bengaluru Mahanagara Palike (BBMP) established (September 2015) an online system called 'Multi Agency Road Cutting and Coordination System' (MARCCS) for according road cutting permissions. To keep the database in MARCCS updated, BBMP was to ensure periodical submission of the utility maps by the service providers.

Audit Framework

2.2.3. Audit test checked (March 2019 to June 2021) the records of UDD, BBMP and five service providers, *viz*. Bangalore Electricity Supply Company Limited (BESCOM), Bangalore Water Supply and Sewerage Board (BWSSB), Karnataka Power Transmission Corporation Limited (KPTCL), Gas Authority of India Limited (GAIL) and GAIL Gas Ltd (GGL)[46] for the period 2015-16 to 2020-21. The objectives of the audit were to ascertain whether system existed in UDD/BBMP for mapping of various Underground Utilities (UGUs) in Bengaluru City and to assess if the mapping was complete, updated and assisted achieving synergy among service providers to minimise the risk of damage to the existing UGUs during excavation works.

Audit objectives and scope were discussed with BBMP and service providers responsible for laying and maintenance of underground utilities during the entry conference held on 30 March 2019. Audit also engaged domain experts from Indian Institute of Science (IISc), Bengaluru who conducted field survey of underground utilities along with audit team and studies on the impact of unplanned road excavation on traffic patterns, average vehicle speeds and fuel emissions along with the audit team. Exit meetings were held in August 2021 with BBMP and service providers and replies have been incorporated in the relevant para of the Report.

Audit findings

2.2.4. Audit findings are discussed in the subsequent paragraphs.

Absence of regulatory framework

2.2.5. A complete and accurate mapping of underground utilities is vital to plan new capital works, carry out repairs/maintenance and prevent damage to underground utilities while executing any excavation works. The mapping of underground utilities in Geographic Information System (GIS) format would facilitate the integration of the maps in common platform and be made accessible to various urban service providers for planning their capital and maintenance works. UDD and BBMP which were the authorities responsible for regulating right of way of utility lines were required to put in place

[46] GAIL maintains the main gas pipeline while GGL is responsible for distribution pipelines.

policy/regulations which facilitated orderly laying of UGUs and their mapping in prescribed format for the benefit of service providers.

Audit observed that neither the KMC/BBMP Act nor the Acts and Rules governing respective service providers (BESCOM, BWSSB, KPTCL, *etc.*) mandated the preparation, maintenance and updation of utility maps, except in case of gas pipelines where mapping of completed network was to be mandatorily carried out in GIS database within two years as per the Integrity Management System for Natural Gas Pipelines (IMSNGP), Regulation 2012 issued by Petroleum & Natural Gas Regulatory Board.

Audit also observed that UDD has not brought out any policy for regulating the laying and maintenance of underground utilities such as cables/pipes in urban areas. UDD had proposed (September 2015) a draft of Karnataka Municipal Corporations (Regulation of cable laying) Rules, 2015, which have not been notified yet (August 2021). UDD replied (August 2021) that instead of the above draft rules, the Government proposed to bring uniform rules for regulating the laying of optical fibres in Karnataka Municipal Corporations Model Building (Amendment) Byelaws 2021 which was yet to be notified. Thus, there was no regulatory mechanism mandating BBMP to maintain and update the mapped underground network of various service providers. Neither was there any regulation in place to ensure that the service providers share their maps/database with BBMP.

Extent of underground utility network mapped

2.2.6. The total utility network within Bengaluru City limits and the network mapped in GIS format as of 31 March 2021 in respect of the five test checked service providers is depicted in the table below:

Table No. 2.2.1: **Extent of mapping of Underground utilities in Bengaluru City as on 31 March 2021**

Sl. No.	Name of the service provider	Total length of utility network (in kms)	Utility network mapped (in kms)	Percentage of network mapped
1	BWSSB	21636	21636	100
2	BESCOM	7201	5997	83
3	KPTCL	440	385	88
4	GAIL	73	73	100
5	GGL	1561	778	71*

***The length to be mapped was 1096 Kms considering two year grace period accorded in IMSNGP, Regulation 2012.**

(Source: Information furnished by BESCOM, BWSSB, KPTCL, GGL and GAIL)

Though the entire underground assets of BWSSB and GAIL has been updated in GIS network, the percentage of GIS updation of other three service providers ranged from 71 to 88 *per cent*. In spite of progress made in GIS updation, audit noticed shortcomings in the mapped data of two[47] out of five test checked service providers such as adoption of outdated and inaccurate data base, non-capturing of GIS coordinates and vital attributes, absence of data validation, data mismatch *etc.* defeating the purpose of GIS mapping as discussed below:

[47] BWSSB and BESCOM.

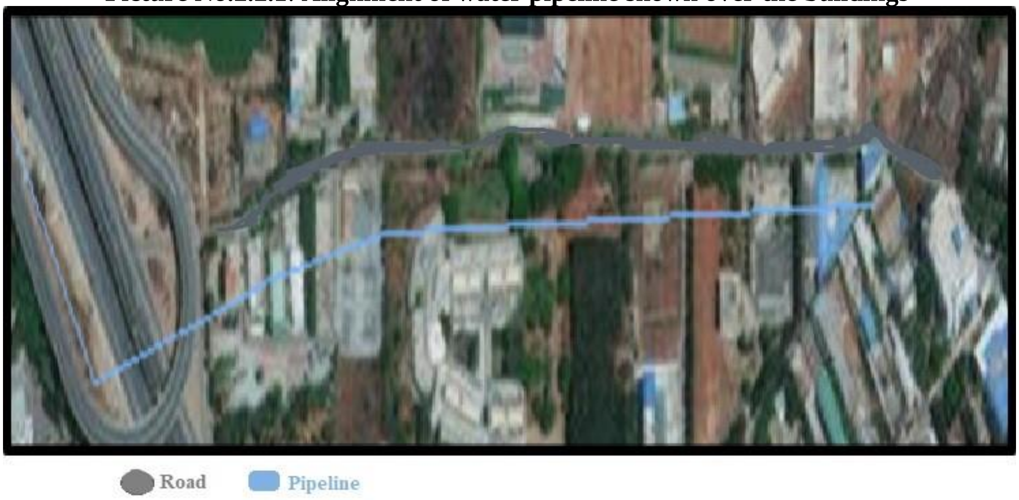
2.2.7. Shortcomings in GIS data base/mapping-

BWSSB - Base Maps

2.2.7.1. BWSSB had 11646.04 KMs of Water Supply Scheme (WSS) pipeline and 9,989.53 KMs of Under Ground Drainage (UGD) lines and had completed mapping of 100 *per cent* of its WSS and UGD assets as at the end of March 2021

Audit noticed that BWSSB adopted road shape files[48] dated back to 2002 for mapping its underground utilities. Due to the time gap[49] between the creation of road shape files and the actual mapping of utilities, there was the risk of datum shift[50] on mapping the underground utilities in such outdated shape files. BWSSB mapped its utilities in these road shape files without applying datum shift parameters[51] resulting in mismatch in the actual location of utilities in such maps. An illustration of such discrepancy is shown in the picture below where the alignment of water pipeline was shown over the buildings in the GIS map

Picture No.2.2.1: **Alignment of water pipeline shown over the buildings**



As such, the purpose of mapping of utilities was not served as they did not depict the true location. The Chairman, BWSSB replied (September 2021) that BWSSB was in the process of migrating its GIS network into Karnataka Geographical Information System (KGIS) framework of Karnataka State Remote Sensing Application Centre (KSRSAC) thereby resolving the issue of outdated base maps. However, the fact remains that no system existed in BWSSB for periodical correction of data shift which compromised the accuracy of mapping and may result in inaccurate identification of underground utilities while undertaking excavations.

[48] Shape files are simple non-topological format for storing the geometric location and attribute information of geographical features.

[49] The actual mapping in BWSSB started from 2004 and is continuing based on the addition of incremental assets.

[50] The disparity on the ground between points having the same horizontal coordinates in two different datum wherein shift parameters needs to be applied to the data when it is synchronized between the databases.

[51] A correction factor applied to align points in two different datums so that there was no mismatch in the coordinate position of the object in the datums.

BWSSB -Incomplete data and absence of data validation

2.2.7.2. The Ministry of Housing and Urban Poverty Alleviation prescribed (August 2010) that the mapping of underground water lines had to capture additional attributes such as depth of the pipes below the ground level, pressure and flow direction. Audit, however, observed that GIS database of the BWSSB did not capture the above attributes. The GIS certificate, which was made mandatory for recording the completion of work, did not indicate either the GIS coordinates of WSS/UGD or the details of other utility departments.

Audit also noticed that there was no system in place for data validation before certification. Data inconsistencies were observed in 84,916 out of 2,02,788 records in the database (details *vide* ***Appendix-10***). For instance, month of installation had invalid values such as '0' and between '17 and 3347' while the year of installation had values '0', '20141', *etc*, and diameter of pipes which usually range from 80 mm to 2000 mm had incorrect values like '0' mm, 1.5 mm, 150150 mm, 300100 mm, *etc*.

BWSSB – Data mismatch

2.2.7.3. BWSSB took up (May 2003) a project called 'Unaccounted for Water' (UFW) to address the revenue losses on account of leakages and unbilled quantities of drinking water. The project covered a total area of about 305 square kilometers (sq.km), out of the total serving area of 570 sq.km of BWSSB. The project involved survey and field investigations with GPR techniques to map the assets of BWSSB. Audit observed mismatch in the data regarding water supply mains and valves mapped in the survey and the GIS data base of BWSSB in three out of six packages under the project as detailed in the table below:

Table No. 2.2.2: Statement showing mismatch between BWSSB GIS data and survey data under UFW

Package	Area surveyed (Sq. kms)	Length of Mains as per data base (lakh metres)	Length of Mains as per survey (lakh metres)	Percentage of variation	Valves as per data base (Nos)	Valves as per survey (Nos)	Percentage of variation
D1a	26.50	7.30	7.66	5	2,231	3,015	35
D2a	54.00	13.45	14.76	10	8,332	5,886	-29
D2b	52.00	11.28	15.58	38	2,912	5,192	78

(Source: Information furnished by BWSSB)

The variations in data ranged between 5 *per cent* and 78 *per cent* indicating that the GIS data was inaccurate to that extent due to absence of periodical updation of assets rendering the database incomplete and not capable of providing a true picture of underground utilities.

BESCOM - Non-capturing of key attributes

2.2.7.4. BESCOM issued (November 2010) circulars for implementation of GIS consumer survey and asset mapping which emphasized capturing location co-ordinates of various assets. GIS systems capturing all the three physical dimensions of length, width and depth increases the accuracy and precision in locating the exact alignment of UGUs.

Audit review of the attribute data sheets utilized for network updation in BESCOM revealed that the GIS maps were prepared in two-dimensional format which captured only the length and size of underground (UG) cable, but there was no provision for capturing the depth at which UG cable was laid. The failure to capture the depth at which the utilities were laid decreased the efficacy of mapping.

BESCOM -Implementation of GIS based asset mapping and consumer indexing module under RAPDRP

2.2.7.5. BESCOM implemented Restructured Accelerated Power Development and Reforms Programme, sponsored by Government of India, wherein it had developed 17 integrated software modules among which GIS based consumer indexing and network asset mapping was one of the key modules. Under the programme, a total underground network of 5149 KMs was added to GIS platform. The updation of underground network was carried out through the tickets (requests) raised by BESCOM divisions on completion of capital/maintenance works undertaken.

Audit scrutiny of tickets received, processed and returned to divisions for clarification/correction during 2017-18 to 2020-21 revealed that, out of the total tickets returned to the subdivisions for corrections, only 24 *per cent* to 87 *per cent* of the corrected tickets were received within the stipulated seven days. The tickets which were not returned within seven days were auto closed and a new ticket number was generated. Further audit analysis of such tickets which were auto closed, revealed the following:

Table No. 2.2.3: Information regarding tickets returned for correction

Sl. No.	Year	Number of tickets				
		Total taken up for updation	Returned for correction	Received & updated during the year	Received & Updated in succeeding years	Pending for correction
1	2017-18	2,120	88	21	67	25
2	2018-19	3,407	658	431	227	24
3	2019-20	3,960	783	451	332	45
4	2020-21	3,886	1,486	1,290	196	45
5	**Total**	**13,373**	**3,015**	**2,193**	**822**	**139**

Source: Information received from GIS cell, BESCOM

It could be observed that 822 out of 3015 tickets (27 *per cent*) returned to sub-divisions for correction were not returned to GIS cell during the same year indicating delay in updation of assets to Data Automation System. 139 out of 822 (16 *per cent*) such delayed tickets were pending for updation as of 31 March 2021. Further test check of records of 623 works in 12 sub-divisions[52] during 2015-16 to 2019-20 revealed delay in GIS updation in 218 works involving 165 KMs of network addition, ranging from 2 to 56 months from the date of completion of works.

[52] Hebbal, Indiranagar, Jalahalli, Jayanagar, Koramangala, Malleshwaram, Peenya, Rajajinagar, RR Nagar, Shivajinagar, Vidhanasoudha and Whitefield.

The General manager (ICT &MIS), BESCOM replied (August 2021) that since January 2019 all works were executed in WAMS application, tickets were raised and were being updated within three working days of receipt in GIS cell. The reply cannot be accepted as 27 *per cent* of such tickets raised were returned for correction and updated in succeeding years indicating delay in updation of assets.

Validation of GIS database by KSRSAC

2.2.7.6. The GoK notified (August 2001) Karnataka State Remote Sensing Application Centre (KSRAC) as the state nodal agency for remote sensing activities. Subsequently, KSRAC (June 2015) was entrusted with implementation of Karnataka Geographical Information System (KGIS) involving preparation of state-wide GIS database to meet the needs of government, citizens and enterprises. For the purpose of geo-tagging[53], GoK issued orders (November 2017) directing all the departments to provide complete list of assets to KSRSAC.

Audit observed that:

- KPTCL shared the data with KSRAC only in January 2021. The data of substations shared by KPTCL was validated and made available in KGIS but it did not match with the ground level data as per satellite images. The rectification of the discrepancy was under progress.

- The upgradation of GIS database of BWSSB and BESCOM to KGIS framework was completed. BBMP shared road/landmark data as web map service[54], however, the complete road MIS data containing the details of utility network was yet to be integrated in KGIS;

- Data sharing of agencies such as Gail Gas and Gail India Ltd, optical fiber cable network, *etc.* was yet to be initiated.

Thus, the goal of the Government to create a central repository of standardized GIS data of all the urban service providers was not realised.

Thus, the extent of progress attained by the service providers in GIS mapping of underground utilities could not attain the intended results in view of the deficiencies such as inaccuracy in the database, non-capturing of key attributes, lack of periodical updation and absence of validation controls.

Implementation of MARCCS by BBMP

2.2.8. BBMP attempted to obtain and integrate GIS data gathered from various service providers and utilize the same for according permissions through MARCCS online interface. Audit, however, observed several shortcomings in its functioning as discussed below:

[53] Geo-tagging is the process of adding metadata that contain geographical information about a location to a digital map.

[54] Web map service is a standard protocol for providing geo-referenced map images over the internet.

Non-updation of data

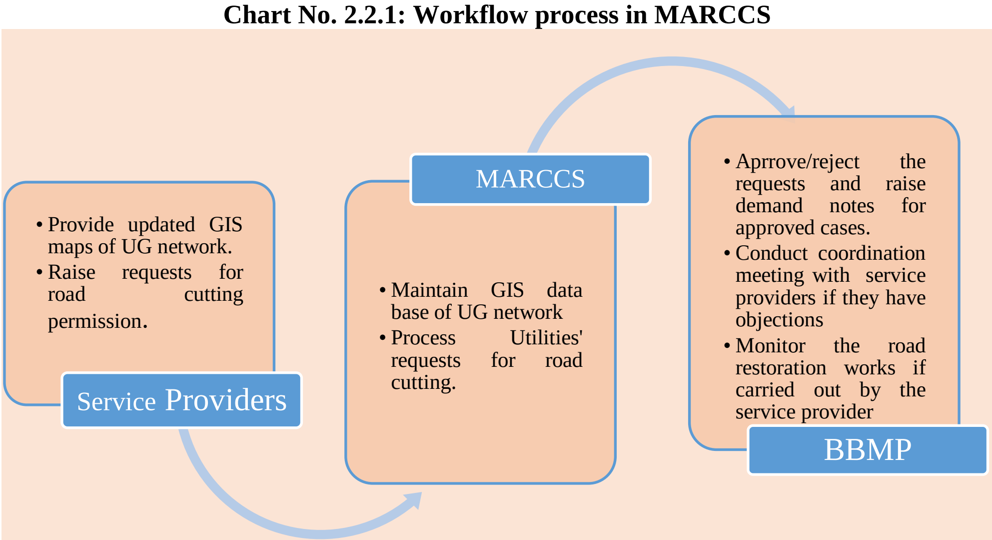
2.2.8.1. The data of UG network of various utilities was last updated in MARCCS during November 2016. Subsequently, no efforts were made to update the overlays even though there were network additions subsequently by BESCOM (2,145 KMs) and KPTCL (139 KMs), BWSSB (4,238 KMs) by the end of March 2021. Moreover, MARCCS database was incomplete as it did not include the assets of GAIL (73 KMs) and GGL (1,561 KMs) which were within BBMP limits. Despite utility maps being provided by GAIL during November 2018 and by GGL during February 2020, the same were not updated in MARCCS.

Further, the overlays did not indicate critical GIS attributes such as length of each utility network, depth of the utilities laid, material of ducts/pipes used, date of installation of such utilities, diameter of ducts/pipes, ground survey data and geo-tagged attributes. This was mainly because of non-availability of these attributes in GIS maps provided by the respective utilities.

Delay in raising of demands and non-collection of dues related to road cutting permissions accorded

2.2.8.2. As per the 'Standard Operating Procedure' (SOP) of MARCCS, the user department while applying for road cutting permission was to indicate the stretch of the road and update the details *viz*. length of utility to be laid, method of laying, date of commencement of work, probable date of completion and restoration, *etc*. BBMP approves or rejects the road cutting requests and raises demand note for applicable approved cases. The utility departments proceed with execution of works as per the approval and on payment of fees. A schematic diagram of process of MARCCS is given below:

Chart No. 2.2.1: Workflow process in MARCCS



Audit observed the following shortcomings:

i. Out of 12,139 requests received in MARCCS for road cutting permissions, during 2015-21, 1,014 were pending as on 31 March 2021. Out of the pending requests, 482 requests were pending for more than one year, the reasons for which were not recorded in the database.

ii. As per the SOP, receipt of payment as per the demand note raised was a pre-requisite for according permission for road cutting. It did not prescribe any time frame for the BBMP to communicate the approval or rejection of requests received from the user departments. A test check of 7,287 demand notes raised during 2015-21 for according permissions for road cutting revealed the following:

- Only 1,432 (20 *per cent*) demand notes were raised within 30 days
- In 3,625 cases (50 *per cent*) demand notes were raised with a delay between one month and one year
- In 1,785 cases (24 *per cent*) there the delay in raising demand notes was between one and two years.
- In 445 cases (6 per cent) the delay was more than two years

Further analysis revealed that 382 out of 445 (86 *per cent*) demand notes which were pending for more than two years, pertained to BESCOM. The delay in raising the demands necessitated the service providers to execute their prioritized works without permission, thereby defeating the purpose of co-ordination envisaged in MARCCS;

iii. Utility departments did not remit the prescribed charges of ₹ 582.37 crore[55] against the demand notes raised as at the end of March 2021. The Chief Engineer and Nodal Officer, MARCCS, BBMP in his reply (January 2021) stated that discussions were being conducted at Government level for collection of pending dues from various departments.

iv. Apart from the pending dues, utility departments executed 983 works[56] involving laying of underground network of 7,56,167 metres[57] for which permissions were rejected in MARCCS due to reasons such as newly laid roads and roads under defect liability period. The execution of unapproved works was a clear indication of failure in the monitoring system at different levels of management both at the utility level as well as BBMP. This also had caused non-collection of required permission charges to the tune of ₹ 119.45 crore[58];

v. Unauthorized road cuttings attract levy of penalty at the rate of ₹ 25.00 lakh as per the Government orders (December 2018) and to get the road restored by the defaulting departments. Audit, however, observed that the BESCOM (95) and BWSSB (2) executed 97 works after December 2018 which were either rejected by BBMP or permissions were not applied through MARCCS, but penalty of ₹ 24.25 crore attracted on these unauthorized works was not levied and collected by BBMP.

Results of survey of underground utilities conducted in collaboration with IISc team

2.2.9. In order to physically verify the accuracy of maps of underground utilities (UGUs) in terms of their number, location and type, audit collaborated with

[55] BWSSB - ₹ 455.14 crore; BESCOM - ₹ 101.41 crore; KPTCL - ₹ 12.29 crore; BMRCL - ₹ 9.92 crore; GGL - ₹ 1.87 crore and GAIL - ₹ 1.74 crore.

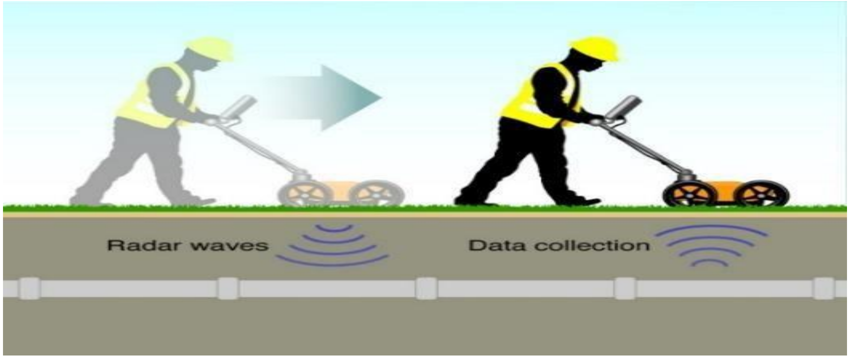
[56] BWSSB – 771 nos; BESCOM - 212 nos.

[57] BWSSB – 6,34,318 metres; BESCOM – 1,21,849 metres.

[58] BWSSB - ₹ 88.29 crore; BESCOM - ₹ 31.16 crore.

IISc team to use Ground Penetrating Radar (GPR) technology[59] in three selected locations[60]. The GPR survey offers the advantage of detecting the number, type, location and other allied details of UGUs without needing to dig roads to visualize the same. The schematic representation of method of GPR survey is given under:

Picture No. 2.2.2: **Schematic representation of GPR survey**



The results of the study are enumerated in paragraphs below:

Mismatch between the number of utility lines as per the survey and utility databases

2.2.9.1. The field data obtained through GPR survey[61] of the three locations was compared with the maps of the respective utility providers and the data available with BBMP. The results of survey are depicted in the chart below:

Chart No. 2.2.2: Results of GPR survey of UGUs

Name of location surveyed	Section of road	Sewer Lines as per			Water Lines as per			Electrical Lines as per		
		BWSSB	BBMP	Survey	BWSSB	BBMP	Survey	BESCOM	BBMP	Survey
Malleswaram Circle	Service Road from Circle towards East	1	1	1	1	1	0	1	0	0
	5th Cross Road from Circle towards East	0	0	0	1	1	1	0	0	0
	Service Road from Circle towards West	0	1	1	0	0	0	0	0	0
	5th Cross Road from Circle towards West	1	1	1	1	1	0	0	0	0
Ideal Home Circle, Rajarajeswarinagar	8th main Road from junction towards south	1	1	1	2	2	1	0	0	1
	12th cross road from junction towards west	1	1	1	2	2	1	0	0	0
	8th main road from junction towards north	1	1	1	2	2	0	0	0	0
	12th cross road from junction towards East	1	1	1	2	2	1	0	0	0
Parvathi sametha Chandramouleshwar Temple Circle, Jayanagar	26th Main Road	1	2	2	2	2	2	1	0	1
	25th Main Road	1	2	2	1	1	2	0	0	0
	39th Cross Road from central junction towards west	1	1	1	1	1	1	1	0	0
	39th Cross Road from central junction towards east	1	1	1	2	2	1	1	0	0

	No variations observed with survey data
	Variations observed with BWSSB/BESCOM data but matched with BBMP data
	Utilities data did not match with survey data

[59] GPR system consists of an antenna, which houses the transmitter and receiver; and a profiling recorder, which processes the received signal and produces a graphic display of the data.

[60] i). Malleshwaram Circle, Sampige Road; ii). Ideal Home Circle, Rajarajeshwari Nagar; iii). Parvathi Sametha Chandramouleshwara Temple Circle, Jayanagar 9th Block.

[61] Depth of investigation of the GPR signal is highly site specific and is limited by signal attenuation (absorption) of the subsurface materials. Signal attenuation was dependent upon the electrical conductivity of the subsurface materials. Alternately, the lines not detected in GPR could have been laid outside the defined survey area (as in under the foot path) which is not as per the maps available.

Audit observed that in 10 sections of the selected roads, the data of UGUs (8 out of 10 related to water lines of BWSSB) was found to be erratic as the actual numbers as per survey was less or more as compared to the GIS data of UGUs. This endorses the audit comment on incomplete and inaccurate GIS maps being maintained by the utilities which can lead to damages during excavation due to incorrect identification of utilities.

Non-adherence to IRC standards

2.2.9.2. IRC 98-2011 prescribes the location, design, installation and maintenance of public utility services within the right-of-way of urban roads. The objective was to provide a uniform approach which minimizes interference between the operations of various agencies and to ensure safe and smooth traffic flow by reinstating the trenches after completion of works. The GPR survey conducted at the selected locations revealed that service providers deviated the specifications prescribed by IRC as illustrated in the table below:

Table No.2.2.4: Deviations of IRC specifications in the existing utility lines at study locations

(in metres)

Sl. No.	Utility Type	Depth from Ground Level				Distance from edge of the road			
		IRC	Ideal Home	Jaya nagar	Malles waram	IRC	Ideal Home	Jaya nagar	Malles waram
1	Sewer Line	>1.5	0.655	0.65	0.73	3.5	2.71	2.75	1.5
2	Water Line	0.6-6	0.577	0.652	0.78	2.5	3.92	2.4	1.2
3	Optical Fiber Line	0.6-1	-	0.39	-	3.5	-	2.7	-
4	Electrical Line	0.6-1	-	0.415	-	4.6	-	6.5	-

(Source: Study report of IISc)

Audit observed that there was no uniformity in laying of various utilities at the study locations in contravention of the guidelines. While sewer lines were laid at less than minimum depth specified by IRC, water lines almost met the depth range given by IRC. It was also noticed that the water and sewer lines were very closely laid in the surveyed locations contravening IRC norms, posing risk of mixing of sewage with potable water during bursting of pipes and attendant health hazards. Similarly, IRC standards suggested multi utility ducts with separate enclosures for each type of service providers laying underground cable network which were not provided in the surveyed locations.

Risks of not possessing complete map of underground utilities.

2.2.9.3. The non-existence of utility maps may result in wider-than- required excavation of ground surface for maintenance of utilities. Utility maps are important as they show accurate positions of the buried utilities that prevent digging into or damaging any other utilities which can cause inconvenience to the public or workforce. IISc team conducted studies at four locations[62] in Bengaluru city where excavation works were being carried out to quantify the

[62] Four locations, *viz*. Avalahalli 50 feet main road (FFMR), Banerghatta main road (BGMR), MS Ramaiah road (MSRR) and Thanisandra main road (TSMR) were considered for the study where the utility restoration works were ongoing as of December 2019/January 2020.

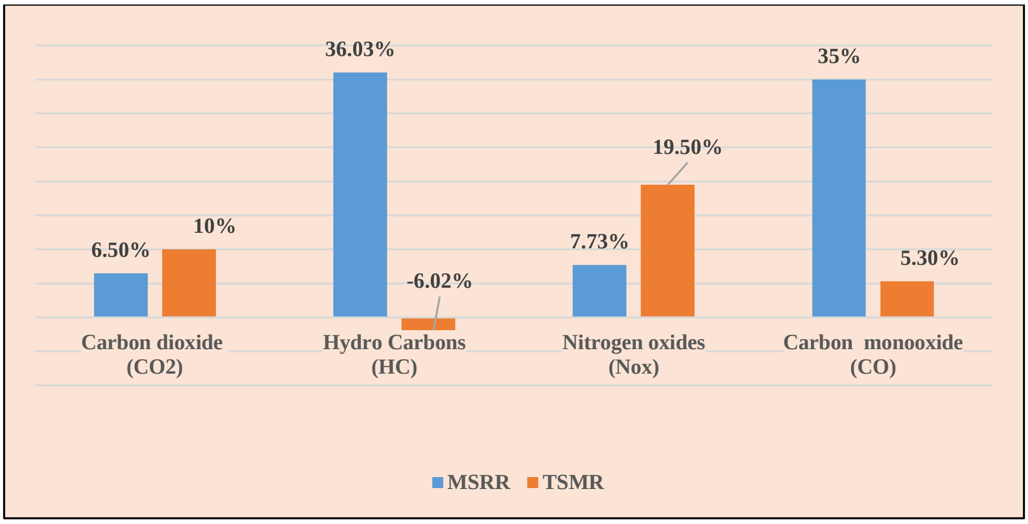
impact of enhanced digging of roads on average vehicle speed, pollutant emissions and fuel consumption. The results of the study are enumerated below:

Increased emission levels and fuel consumption with increased obstruction

2.2.9.4. The study found that the average vehicle speeds consistently and significantly drop with a decrease in the road width available to the traffic due to excavation for maintenance of utilities. In general, there was an increase in the emissions and fuel consumptions with an increase in obstruction width.

The following chart depicts the increased emission levels in one hour at peak-hour volumes with the increased obstruction road width in two out of four selected locations

Chart No. 2.2.3: **Increase in emissions with the increased obstruction width**



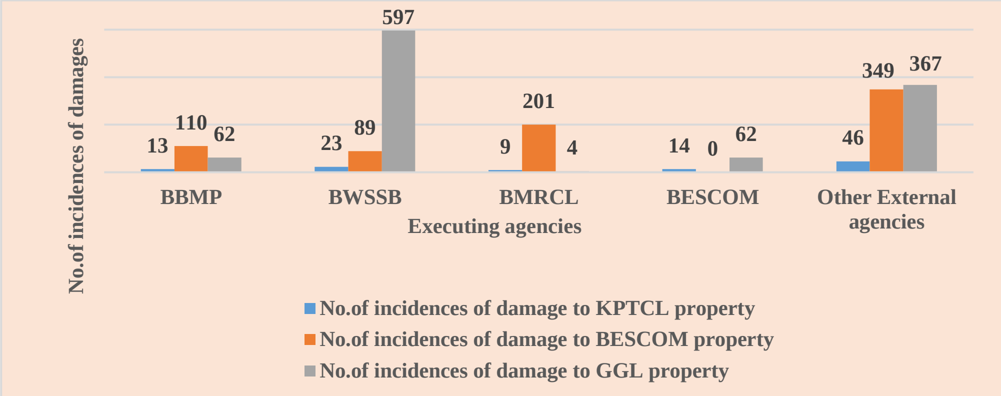
(**Note:** Negative (decrease) HC levels at TSMR could be attributed to the complexity of the vehicle interactions in a mixed traffic environment and to wide-ranging factors like vehicle technologies).

It was also noticed that fuel consumption increased by 16.8 litres and 3.97 litres at MS Ramaiah Road (MSRR) and Thanisandra main road (TSMR) respectively during peak hours. The lack of utility map led to larger size excavation as the workers were not aware of the exact location of the underground utilities. The wider excavation reduced the width of road available for vehicle movement and resultant increased travel time, fuel consumption and emission of pollutants leading to health hazards for road users.

Incidences of damages to underground utilities

2.2.10. Audit observed adoption of outdated and incomplete GIS data on underground utilities and absence of their periodical updation, undertaking of works without permissions, *etc.* resulting in frequent damages to the utility lines while carrying out road cutting/excavation. This had also resulted in unwarranted inconvenience to the vehicular traffic and avoidable expenditure for restoration of damaged property. The number of incidences of damages to underground utilities during 2015-21 is depicted in the following chart:

Chart No. 2.2.4: Incidences of damages to underground utilities during 2015-21



(Source: Information furnished by service providers)

It could be observed that the maximum number of incidences of damages occurred to GGL pipelines mainly on account of execution of works by BWSSB (597 nos) and by other external agencies[63] (367 nos). Also, underground cables of BESCOM were damaged by Bangalore Metro Rail Corporation Ltd (201 nos), other external agencies (349 nos), BWSSB (89 nos) and BBMP itself (110 nos). The reasons attributable to such occurrences were execution of works without permissions, non-availability of updated GIS data, absence of co-ordination between the service providers, *etc*. As a result, utilities incurred ₹ 18.38 crore (KPTCL - ₹.15.13 crore; BESCOM - ₹ 3.07 crore; BWSSB - ₹ 0.18 crore) for restoring the damaged assets. The cost of restoration of GAIL/GGL pipelines was not available.

Conclusion

The State was not able to formulate a legal/regulatory framework for enforcing effective mapping of underground utility assets of various service providers. The mapping of utilities of service providers was incomplete except in BWSSB and GAIL (India) Limited and the mapped data was not accurate and reliable due to absence of periodical updation. The objective of MARCCS to serve as a single window platform for developing synergy between various utility departments during road excavation, though well intended, was defeated due to systemic deficiencies such as absence of updated UG network and lack of control over service providers excavating roads bypassing MARCCS. There was no adequate enforcement of penal provisions for violations. The absence of legal provisions to enforce mapping and inadequate co-ordination among BBMP and the urban service providers resulted in haphazard planning for mapping of underground utilities. The incomplete and non-updated maps were not capable of providing complete information regarding the underground utilities leading to their damage during road excavations causing avoidable cost and inconvenience to general public.

Recommendations

1. **The Urban Development department, Government of Karnataka should lay an adequate legal and regulatory framework mandating**

[63] KPTCL, BSNL, OFC service providers *etc*.

effective and complete mapping of underground utilities by the service providers and their timely updation;

2. **The service providers should establish an appropriate mechanism for maintenance of complete and accurate data of underground utilities with finer details of alignment, depth, size and type and ensure their periodical updation;**

3. **The service providers should ensure adherence to the relevant standards/norms prescribed for laying underground utilities;**

4. **BBMP should ensure updation of utility maps in MARCCS and route all road cutting permissions through the system, with enforcement of provisions for levy of penalty for violations;**

5. **BBMP may consider colour coding of different utility lines for their easy identification during repairs and maintenance.**

6. **BBMP should establish adequate co-ordination mechanism among various urban service providers undertaking road excavations for upgrading their infrastructure and expansion of services, so as to avoid accidents, damages to assets and loss due to unplanned road excavations.**

Public Works Department

2.3. Idle quality assurance equipment

Procurement of quality assurance equipment costing ₹ 20.82 crore resulted in unfruitful expenditure as requisite infrastructure was not created in advance.

The Government of Karnataka (GoK) with the World Bank financial assistance took up Karnataka State Highways Improvement Project (KSHIP) II at a cost of ₹ 4,522 crore for implementation between 2011-12 and 2018-19. The project cost, *inter alia,* included "procurement of Quality Assurance/Quality Control (QA/QC) equipment" including domestically manufactured equipment as well as imported advanced equipment. The Quality Control (QC) Divisions were required to create infrastructure for installation and utilisation of the procured equipment.

Project Director (PD), Project Implementation Unit (PIU), Karnataka State Highways Improvement Project (KSHIP) entered into (February 2018) a contract with a Supplier[64] for supply and installation (by July 2018) of seven items (24 Nos) of advanced QA/QC equipment at the identified labs (nine labs of Public Works Department and three labs of National Highways) in the State at a cost of ₹ 20.98 crore. The equipment had a warranty of 38 months from the date of delivery. The Suppliers delivered all the 24 equipment between May

[64] M/s APS GmbH/ Wille Geotechnik, Germany.

2019 and January 2020 and ₹ 20.82 crore[65] was paid to the suppliers (March 2021).

Audit scrutiny (July 2019, August 2021) of records of the Project Director (PD), Project Implementation Unit, KSHIP revealed that equipment supplied were not put to use which are discussed below:

- The Schedule 1 of Section VI of the Agreement stipulated the period, number and type of equipment to be delivered to different QC labs by the Supplier. Further, the Supplier had given detailed infrastructure requirement (May 2018) for installation of these equipment *i.e.*, space, building, power, air-conditioning, Chiller and Air Compressor at Bengaluru, Hubballi and Chitradurga Divisions/Sub-divisions in addition to the vehicles for mounting of ROMDAS and FWD. The Agreement also mandated the Supplier to impart training.

- It was observed that none of the equipment (24 Nos.) supplied could be used till date (July 2021) due to non-installation/ non-availability of infrastructure/ non-imparting of training and the details are shown in Table:

Table No. 2.3.1: Status of utilisation of different equipment

Sl. No.	Equipment	Total quantity supplied	Number of equipment kept idle due to		
			Installation pending	Infrastructure not yet provided	Training not yet imparted
1	Dynamic Special Triaxial Testing Machine (DASTM)	3	1	2	3
2	Rolling Thin Film Oven (RTFO)	3	2	3	3
3	Static Dynamic Universal Asphalt Testing Machine (SDATM)	4	3	3	4
4	Digital Inclinometers	9	6	Not required	9
5	ROMDAS Modular System for DATA acquisition and processing	2	0	1	2
6	Pavement Surface Texture Measurement	1		Not required	1
7	Falling Weight Deflectometer (FWD)	2	1	Provided	2
Total		**24**	**13**	**9**	**24**

- The Supplier reported (May 2019) that NH QC labs were refusing to take delivery of equipment due to inadequate infrastructure which was not addressed by the authorities on priority. The Supplier had communicated requirement of vehicles for installation of ROMDAS and FWD but the vehicles were procured only during December 2020 after the delivery of equipment (May 2019 and January 2020).

[65] ₹16.37 crore under World Bank assistance and balance amount out of State funds. The difference in the cost and payment was due to exchange fluctuations.

- The equipment pertaining to Hubballi was kept in a private workshop, the other pertaining to Chitradurga required three computers and training for putting it to use.

- Two Falling Weight Deflectometers (FWD) costing ₹ 1.10 crore were to be installed at NH QC Sub-divisions at Bengaluru and Chitradurga by the end of July 2018 but these were supplied only between May 2019 and August 2019 after being kept exposed to harsh weather. Apart from the delay in commissioning the equipment, the expenditure towards their rectification to make these equipment functional should be borne by the Department as the warranty conditions/ period had been violated/lapsed.

Picture No. 2.3.1: FWD equipment costing ₹ 0.55 crore (excluding vehicle cost) damaged due to keeping it exposed to harsh weather at QC Sub-Division, Bengaluru (4th August 2021)

- As per Schedule 2, Section VI of the contract agreement, hands on training for conducting tests and maintenance of lab equipment was to be imparted one month after installation. However, identification of the officers/ officials for undergoing training for operation of all the 24 equipment (including ROMDAS) was yet to be finalized (July 2021).

- It was also noticed that large number of vacancies[66] existed in the cadres of Assistant Engineer, Laboratory Technician and Laboratory Assistant in QC Divisions. Considering the large vacancy in the cadres of Laboratory Technician and Laboratory Assistants, crucial for conducting the tests, the utilisation of these equipment procured at a cost of ₹ 20.82 crore would be unlikely in the present circumstances.

Thus, delay in creating the requisite infrastructure had resulted in non-utilisation of quality assurance equipment procured at a cost of ₹ 20.82 crore resulting in unfruitful expenditure.

The Government replied (December 2021) that 11 out of 24 equipment were installed and installation of 13 equipment was pending for want of infrastructure, power, accessories *etc*. An amount of ₹ 1.78 crore had been sanctioned (November 2021) for providing the infrastructure. Further, Government stated that vacancies could not be filled up due to austerity measure

[66]

Details of sanctioned and working strength in QC Divisions as of March 2021				
Design	**Sanctioned Strength**	**Working Strength**	**Vacancies**	**Percentage**
Asst. Engineer	87	53	34	39
Lab. Technician	13	01	12	92
Lab. Assistant	26	01	25	96

imposed by the Finance Department and issue would be taken up with the Finance Department for seeking relaxation of austerity measure.

The infrastructure required in various locations and vacancy position in critical technical cadres were known to the Department before procurement, but no urgency was shown to address these issues before delivery of equipment. The utilisation of installed equipment was doubtful as trained personnel were not available. Hence, the audit objection is reiterated.

Recommendation:
It is recommended that henceforth the Public Works Department should ensure availability of necessary infrastructure before supply of equipment.

2.4. Avoidable expenditure

Deviation from standards in the execution of low traffic village roads has resulted in avoidable extra expenditure of ₹18.50 crore.

Village/Rural Roads are under the jurisdiction of Rural Development and Panchayat Raj (RDPR) Department and exclusive design standards[67] have been prescribed by Indian Road Congress (IRC) for the development of rural roads which should be followed as per Paragraph 8 of Karnataka Public Works Department Code 2014.

Audit noticed (2019-2020) that Public Works Department (PWD) had carried out (2017-2020) the improvement of village roads though this category of roads was not falling under their jurisdiction. During test check of records in 19[68] PW Divisions comprising 117 estimates costing ₹ 165.89 crore, Audit found that these works were devoid of proper authority, had deficiencies in estimation and were built by incorrect adoption of IRC standards which are brought out in the succeeding paragraphs.

Devoid of sanction

2.4.1. The village roads under the jurisdiction of RDPR are to be executed by the Panchayat Raj Engineering Department (PRED) and funds are allotted by the Government for their development and maintenance every year. Audit scrutiny revealed that the improvement of village roads was included in Appendix-E (Annual Action Plan of Works) for 2017-2020 by the PW Department as per the request of the elected representatives. The improvement of village roads costing ₹ 165.89 crore was included by the PWD in their Annual Action Plans which was irregular and unauthorised as the prior approval of competent authority (PRED) was not obtained.

[67] IRC: SP:72- Guidelines for the Design of Flexible Pavement for Low Volume Rural Roads.
[68] Bagalkote, Belagavi, Chikkamagaluru, Chikkodi, Chitradurga, Davanagere, Dharwad, Hassan, Hunsur, Karwar, Madhugiri, Madikeri, Mysuru, Ramanagar, Shivamogga, Shivamogga Special Division, Sirsi, Tumakuru and Vijayapura.

Deviation from standards

2.4.2. The design catalogue specifies: (i) providing bituminous macadam layer (BM) for T9 traffic category (1.5 MSA to 2 MSA) (ii) two types of wearing courses – surface dressing (SD) (for traffic category up to T5) and Open Graded Premix Carpet (OGPC) (for traffic category from T6 and onwards). The design catalogues finalised were performance-based and after drawing on the extensive experiences (Clause 1.4.4).

Audit scrutiny (2020-21) of estimates revealed the following deficiencies:

- PW Divisions were required to obtain pavement thickness and traffic data from the respective PR Engineering Divisions for the preparation of estimates but this was not done. Also, there were no records regarding handing over of these roads by PRED to PWD for undertaking improvements. Further, the necessity and benefit of taking up improvement works by PWD were not forthcoming.

- Applicable design standards should be followed for preparation of estimates and deviations should be supported with proper justification. Further, Clause 2.2.3 of IRC SP:72-2007 specifies determination of causes of poor condition of the pavement first before undertaking strengthening measures. As per IRC, the bituminous surfacing shall consist of either a wearing course or binder course (BM) with a wearing course depending upon the traffic volume expressed in MSA and soil condition.

Scrutiny of estimates in audit revealed that incorrect values were adopted boosting the MSA and adopted binder course and higher grade layers *i.e.*, (i) the MSA had worked out to less than 1.5 but taken as 2 (ii) the values of Vehicle Damage Factor (VDF) and Lateral Damage Factor (LDF) were incorrectly adopted (VDF was taken as 3.5 instead of 1.5 and LDF was taken as 2 instead of 1). The details are shown in ***Appendix-11***.

The higher design standards were followed without any cost analysis or technical justification. The improvements were necessitated due to lack of maintenance and hence adoption of higher-grade layers was unwarranted. The deviation from standards had resulted in extra expenditure of ₹ 18.50 crore to the exchequer which could have been utilised for other roads requiring improvements.

The Government in their reply (December 2021) stated that;

(i) the improvement to villages roads were included in Appendix ‘E’ or through Government letters

(ii) these village roads were to be upgraded to design parameter of major district as per Government Order and hence IRC 37-2012 was followed

(iii) traffic survey for 2 to 3 days was conducted wherever traffic census details were not available.

The reply is not tenable as;

(i) the PRED under whose jurisdiction these roads falls was not consulted before execution of works as no road data was available with the PWD. Hence, inclusion of works relating to village roads in Appendix 'E' without consultation with PRED was irregular.

(ii) Reference to Government Order to improve as or copy of the GO to upgrade to the MDR was not furnished in support of the statement.

(iii) Traffic survey report was not enclosed to the sanctioned estimates and arbitrary data was adopted. Though total vehicular traffic in terms of MSA worked out to 1.5 but it was taken as 2 MSA and accordingly crust thickness and layers were provided without technical justification.

Thus, adoption of higher standards without justification resulted in extra expenditure of ₹ 18.50 crore.

2.5. Payment of compensation due to departmental lapses

Issue of work order by Executive Engineer despite non-availability of encumbrance free land and failure to foreclose the contract as envisaged in the contractual provisions in such exigencies resulted in award of compensation by the arbitrator aggregating to ₹ 9.10 crore.

The work[69] of proposed Guest House in the Karnataka State Charities Premises (7.05 acres) at Tirumala, Andhra Pradesh was awarded (3 March 2010) by the Executive Engineer, PWD, Kolar to M/s Consolidated Construction Consortium for a contract price of ₹ 19.91 crore for completion in 15 months (June 2011).The guest house was to be constructed after demolition of 18 structures and clearing of site which was not part of the construction contract. Hence, the work of dismantling the 18 structures (₹ 20.90 lakh) after payment of salvage value (₹ 16.13 lakh) was awarded (26 May 2010) on tender basis to the same Agency for completion in one month. The Agency commenced the work (May 2010) and had to stop the work of demolition midway as the work was stayed (16 November 2010) by the Hon'ble High Court of Andhra Pradesh on account of a PIL seeking ban on new constructions in Tirumala hills on ecological grounds. The Agency had partly completed demolition of 11 structures against 18 structures. On account of the Stay Order, the Agency could not take up the construction of guest house.

The Department did not appoint any counsel to get the Stay vacated. The Executive Engineer (EE) too, did not terminate the contract even though there was no prospect of commencement of work due to legal impediment. Hence, the Agency terminated the contract (June 2011) in terms of Clause 49.3 of the contract and also claimed compensation, as a fundamental breach was caused. However, the EE disputed the contention and intimated (July 2011) that neither parties caused fundamental breach. The Agency did not accept the contention and referred (May 2015) the issue to arbitration for settlement of the

[69] Deposit contribution works.

disputes[70] besides claiming compensation aggregating to ₹ 4.14 crore plus 18 *per cent* interest before the Arbitrator. The Arbitrator (May 2017) held that the onus of handing over the site free of any impediments lies with the Department and since the Department failed to do so, it had caused a fundamental breach of contract. Hence, the Arbitrator awarded ₹ 3.99 crore towards compensation and 18 *per cent* interest from 21 November 2013 till date of actual payment. The Department filed (September 2017) an appeal in the City Civil Court, Bengaluru, which was dismissed (December 2020) by the Hon'ble Court thereby upholding the Arbitrator's award. The decretal amount works out to ₹ 9.10 crore (December 2020).

Scrutiny of the records (October 2018), in the office of EE, PWP & IWTD Kolar showed mismanagement of contracts which are discussed below:

- The approval for building plan from the local planning authority was not obtained when work order was issued. Thus, work order was hastily issued ignoring the contractor's right to claim compensation for non-commencement/delay in commencement of work as envisaged in the agreement (Clause 21.1[71]).

- The Department could have terminated the contract by working out the dues after scrutiny of claims.

- The EE or the Controlling Officers did not take prompt action to engage Government Counsel to get the stay vacated. The Counsel was appointed only in June 2013 after a gap of nearly three years.

- Audit scrutiny showed that the contractor had not provided supporting details viz., numbers, period of idle labour/machinery to the Department and the Department too, did not have such details in the form of a Site Engineer's report/management meeting, proceedings about deployment of resources, idle resources *etc*. Since the same contractor was also awarded the contract for demolition of structures, the possibility of the contractor counting resources mobilized for demolition of structures against the construction work cannot be ruled out.

- As per extant procedure, clearance from Law Department has to be obtained to prefer an appeal against arbitral award. The Department had taken opinion from the private law agency, who incidentally represented the Department in Arbitration, to challenge the arbitral award. Thus, approval of the Competent Authority was not obtained before challenging the award and engagement of the private law agency was also unauthorized.

Therefore, serious lapses and mismanagement had resulted in payment of compensation of ₹ 9.10 crore (December 2020) with the liability increasing by

[70] Compensation for losses due to overheads, machinery, insurance, safety measures, equipment, loss of profit and interest.

[71] Clause 21.1: Possession of all parts of the site to the contractor. If possession of a part is not given by the date stated in the contract data, the employer is deemed to have delayed the start of the relevant activities and this will be compensation event.

₹ 71.82 lakh *per* year due to payment of interest at 18 *per cent*. Thus, the payment of compensation is a loss to the public exchequer due to the Departmental lapses.

The Chief Engineer, C&B (South), PWD, Bengaluru replied (September 2021) that work order to commence the work was issued as per the oral instruction of the Muzurai Department and the arbitration award challenged in High Court for quashing the award.

The reply was not accepted as PWD was responsible for management of contract as the agreement was between PWD & contractor. When there was no prospect for commencement of work due to non-availability of land, which was a compensation event, the issue of work order was irregular which led to claiming compensation by the contractor and award of compensation by the arbitrator.

Recommendation:
It is recommended that henceforth Government may ensure availability of land and also get all the building plan approved by the local authority before awarding the work to the contractor.

2.6. Inadmissible payment

The Service Tax of ₹ 3.14 crore paid by the Agency was reimbursed by the Government in contravention of the conditions of the contract.

As per Clause 11.3 (Instructions to the Tenderers) and Clause 39 of the general condition of the standard bid documents, the rates quoted by the tenderer shall include all duties, taxes and other levies payable by the contractor. Item rate tenders are invited to quote unit rates for carrying out the work as per specification and rates are inclusive of all related inputs.

The work of construction of additional accommodation in Kumarakrupa Guest House[72] in Bengaluru was administratively approved (June 2013) and technically sanctioned (September 2014) for ₹ 80 crore. The building, being constructed for commercial purpose, attracted payment of Service Tax (ST) by the contractor as per GoI Exemption Notification No. 25/2012 dated 20th June 2012. The contract for the construction was entrusted (27th March 2015) to M/s. B G Shirke Construction Pvt. Ltd. for ₹ 70.49 crore (17.51 *per cent* above the Schedule of Rates of 2014-15) for completion within 18 months (September 2016). The work execution included additional items /extra quantities, therefore the cost of the work was revised to ₹ 99.45 crore[73] which was approved by the Government in July 2019. The revised cost *inter-alia* included ₹ 3.14 crore towards reimbursement of ST to the contractor. A Supplementary Agreement was signed (October 2019) for *nine* variation items including the ST reimbursement component. The final bill of the work for ₹ 76.97 crore was paid (2nd November 2019) to the contractor. For the reimbursement of ST, the

[72] Commercial purpose building.
[73] Including the external development works, electrical works, extra items, reimbursement of ST, *etc*.

contractor preferred (23rd July 2019) a separate claim which was paid (20th November 2019) after the final bill was settled.

Scrutiny (October 2020) of records of the Executive Engineer (EE), No.1 Buildings Division, Bengaluru revealed that the reimbursement of Service Tax (₹ 3.14 crore) was irregular as the quoted rates were inclusive of all taxes, duties *etc*. This instruction was made amply clear to the bidder in the IFT (Invitation for Tender) which forms part of the Agreement. Further, the Department in the pre-bid meeting held (November 2014) with the bidders clarified that the reimbursement of increased taxes, levies, duties, cess and any new taxes imposed after submission of the tender would not be reimbursed. Thus, the rates quoted by the contractor were inclusive of all the applicable taxes. Hence, reimbursement of Service Tax to the contractor was not admissible as per the terms of the Agreement and reimbursement of ST violated contractual conditions.

On this being pointed out, the EE replied (October 2020) that while the work was exempted from Service Tax when the tenders were invited (October 2014) it was brought back under the purview of Service Tax vide Notification No. 6/2015 with effect from 1st March 2015 and exemption was applicable for contracts executed prior to 1st March 2015. Further, the EE stated that the Department had clarified to the Agency during the pre-bid meeting (November 2014) that the Service Tax would not be charged.

The Government in their reply (February 2021) while endorsing the EE's reply also stated that the amendment Notifications (No.6/2015[74] and No.9/2016[75]) were not issued when the contract was granted. The Government also stated that there was no provision to levy ST earlier to issue of the Work Order. Before the said notifications, the levy of Service Tax fell under the scope and ambit of exemption and therefore, the Department opined that the Agency would not have reckoned ST while quoting the rates.

As could be seen from the replies, the reimbursement was allowed based on the EE's clarification and changes in taxation policy disregarding the contract conditions. However, the contention is not correct for the following reasons:

- The clarification given by EE that ST would not be charged was incorrect as the project attracts payment of ST in terms of Notification No12/2012. Audit scrutiny also showed that the contractor paid ST towards this project voluntarily despite the clarification by the EE. This indicates that the contractor had factored ST while quoting his rates.

- The liability towards payment of ST for this project existed from the stage of invitation of tenders (October 2014) till the submission of bids (November 2014) and also thereafter, notwithstanding the subsequent changes in taxation policy. The project continued to attract ST under Notifications of 2015 and 2016 *i.e.*, even during submission of bids and

[74] Both commercial and non-commercial building contracts attract ST.
[75] ST is exempted to Government non-commercial buildings only.

date of work order. Thus, the reason adduced to reimburse the ST paid by the Agency was improper.

- The tenders were invited for finished items of work inclusive of all taxes, duties *etc*., and accordingly accepted by the Department. Hence, it was not possible to ascertain from the quoted rates whether a particular component or tax element was factored in or not. Subsequently, the same could not be ascertained in item rate contracts.

- As there was no provision to reimburse in the Original Agreement, the reimbursement of ST was included in the Supplementary Agreement to pass it off as a legitimate payment. The process so adopted was thus tantamount to change in terms and conditions of the original agreement which was irregular.

- The ST was reimbursed by the Department despite Law Department's opinion (August 2017) that reimbursement of ST was not admissible.

Thus, reimbursement of ST paid was irregular for the aforementioned reasons, further ₹ 3.14 crore reimbursed were in violation of the Agreement was recoverable.

Recommendation:
It is recommended that all due care should be taken in making payment as per the laid down provisions/clauses in the contract. The Supplementary Agreement so prepared to make ineligible payments legitimate requires further scrutiny and explanation.

2.7. Irregular payments

Government money to the extent of ₹ 3.09 crore was misappropriated by preparing fake work bills.

The extant rules and regulations brought out in the Karnataka Public Works Departmental (KPWD) Code and the Karnataka Public Works Accounts (KPWA) Code lay down the detailed procedure for taking and recording of measurements, preparation and submission of Running Account of bills, scrutiny of bills at divisional office, maintenance of bill register. Further, the rules also prescribe maintenance of a Register of Works, a basic and important register to record full details of the sanctioned work together with payments/expenditure incurred in respect of a work including voucher details. The payment details should be noted in the Measurement Book concerned once the payment is made for compulsory check to avoid making double payment. For works costing more than ₹ 25 lakhs, the contractor must submit the electronic spreadsheets of measurements and a hard copy of the spreadsheets should be printed for taking countersignature of the contractor/his authorised person as an acceptance of these measurements and an Index Register should be maintained for each work. The various Codal provisions in this regard are enumerated in the ***Appendix-12***.

The inspection of the accounts of the Executive Engineer (EE), PWD, Koppal was conducted during July/August 2019 and Audit scrutiny showed irregularities in drawal of bills in test checked cases. A detailed check of the transactions of four months[76] was undertaken covering an expenditure of ₹ 310.51 crore which revealed misappropriation of Government money to the extent of ₹ 3.09 crore through preparation of fake work bills as shown in Table below. The details are shown in ***Appendix-13A, 13 B and 13 C.***

Table No. 2.7.1: Details of fake work bills

Sl. No.	**Type of irregularity**	**Number of Cases**	**Amount involved (₹ in lakh)**
01	Payment made to the same contractor twice – by referring to the same eMBs.	6	87.68
02	Payment made to the same contractor twice – by referring to different MBs/eMBs.	15	125.86
03	Payment made to two contractors by referring to the same Agreement and Work Indent number	7	95.34
Total		**28**	**308.88**

Following are the observations:

- In all cases, the work bills were again prepared and paid despite the fact that payments for the works were already made. In 21 out of the 28 vouchers, the SBR/DBR numbers were not mentioned which indicated laxity in control in recording and disposal of bills. The measurements were not crossed diagonally in Red ink at the time of preparation of the bill and voucher details were also not recorded which facilitated preparation of multiple bills.

- The detailed measurements of work done in CD ROM/diskette format was not submitted by the contractor in respect of works costing ₹ 25 lakh but hard copies of the measurements of spreadsheets were maintained. The countersignature of the contractor in hard copies was not obtained and the Index Register was also not maintained. A secured electronic platform was not put in place for computation of measurements electronically in the eMB system. This omission enabled taking print of more than one set of hard copies of measurements for preparation of bills for making payment. This practice of preparing the Running Account bills based on the hard copy of spreadsheets of measurement is prone for misuse as the mechanism of eMB could function only in an electronic environment which had not yet been established by the Government.

- The payments made to the contractor in respect of the work were not recorded in the Register of Works - a watch register to record payments made/expenditure incurred in respect of the work. Had the payments made were recorded in the Register of Works, the receipt of fake bills could have been detected in the Divisional Office. The lapse, thus, contributed to misappropriation of Government money.

[76] January 2018, March 2018, February 2019 and March 2019.

- Further, the collusion of Departmental officials/officers and contractors could not be ruled out and the matter requires a detailed investigation for recovery and fixing accountability.

The Government replied (November 2021) that ₹ 2.80 crore had been recovered and action being taken to recover the balance amount. The audit findings were based on the test checked months and hence Government is recommended to order for detailed investigation. Further, the action taken against the concerned officers/officials and contractors for fraudulent withdrawals of government money by preparing fake bills was not intimated.

Recommendation:
It is recommended that since the audit findings were based on the test checked months, the Government may order for detailed investigation across all the divisions/sub-divisions. The action taken against the defaulting officers/officials and contractors for fraudulent withdrawals of Government may also be intimated.

URBAN DEVELOPMENT DEPARTMENT

Bangalore Development Authority

2.8. Huge financial burden on account of delay in payment of land compensation

Acquisition of private land without following due process resulted in allotment of developed sites of Bangalore Development Authority worth ₹ 44.47 crore as against the awarded compensation of ₹ 10.91 lakh. The land allotted was also more than the prescribed compensation resulting in excess allotment of sites worth ₹ 10.04 crore.

Bangalore Development Authority (BDA) acquires land for development schemes under the powers vested under Section 17 (preliminary notification) and section 19 (final notification) of the BDA Act 1976. Section 36 of BDA Act states that provisions of Land Acquisition (LA) Act, 1894 would be applicable for all land acquisitions done by BDA other than by agreement with the landowners. The provisions in LA Act, 1894 in respect of awarding and payment of compensation for land acquired are as follows:

- Section 11 provides for the competent authority to make an award of compensation for the land acquired after hearing objection, if any, from all the persons interested in the land being acquired.

- Section 11(A) stipulates that the award should be made within a period of two years from the date of final notification and if no award is made within that period, the entire proceeding for the acquisition shall lapse.

- Section 31 prescribes that the compensation awarded should be either paid to the entitled persons or deposited in the court in cases of dispute

BDA carried out (March 1988) preliminary notification for acquiring land at Kothanur village, Uttarahalli hobli, Bengaluru South Taluk for formation of the layout JP Nagar 8th phase. The final notification (October 1999) provided for acquiring 92 acres out of which 4 acres 4 guntas[77] belonged to Sri. Nanjundappa. The Land Acquisition Officer, BDA awarded (May 2008) ₹ 10.91 lakh as compensation for the above parcel of land after more than 8 years of final notification. Further, the compensation amount awarded was neither paid to the landowner nor was deposited in court as per section 31 of LA Act, 1894.

The aggrieved landowner filed (August 2017) a writ petition in the High Court of Karnataka seeking that acquisition proceeding be declared lapsed and that the compensation be provided under Right to Fair Compensation and Transparency in Land Acquisition Act, 2013 (LA Act 2013). The High Court allowed the writ petition and directed (October 2017) BDA to grant him equal extent of land having similar potentiality as compensation within three months, treating the land as having been acquired that day in terms of provisions contained under LA Act 2013. Since directives of the High Court were not complied with by BDA within the three months period, the landowner filed (January 2018) contempt petition against BDA.

In response, BDA decided (April 2018) to compensate the landowner in the form of developed sites at 11,979 square feet (sq. ft.) per acre of acquired land, as per the norms[78] practiced. Accordingly, BDA allotted (July 2018) a total of 48277.51 sq. ft. of developed land comprising of 23 sites in different layouts. However, the landowner insisted for 21,780 sq. ft. of developed land per acre (*i.e.* 50 *per cent* of 43,560 sq. ft.) as compensation. The complainant in his memo requested (September 2018) the High Court for directive to allot 21,780 sq. ft. developed land per acre of land acquired. The Memo was taken on record by the Court and BDA was directed to comply with the same. Accordingly, BDA allotted (October 2018) another 20 sites measuring 50328.27 sq. ft. in different layouts.

In this connection audit observed the following:

- BDA took more than eight years to award compensation after the issue of final notification which was neither paid to the landowner nor deposited to the court in violation of provisions of the LA Act, 1894. In the land acquisition compensation register[79] entries were recorded only up to issue of final notification which indicates the lack of monitoring and follow up mechanism in BDA to ensure the completeness of procedures prescribed under LA Act, 1894. The arbitrary action of BDA in taking possession of land without paying compensation resulted in

[77] Excluding 6 guntas of kharab land.

[78] One acre is 43,560 sq. ft. and 55 *per cent i.e.* 23,958 sq. ft. is considered as developed land since the balance is utilised for the providing civic amenities, roads and parks. As per the norms, BDA allots 50 per cent of developed land, *i.e.*, 11979 sq. ft. as compensation per acre.

[79] The register maintained for monitoring the compensation payments in respect of land acquired for BDA projects.

lapse of acquisition. The aggrieved landowners resorted to judicial remedy which resulted in award of developed sites with sale potential worth ₹ 44.47 crore[80] during 2018 in place of awarded compensation of ₹ 10.91 lakh in the year 2008.

- To comply with the contempt petition, BDA had agreed to provide compensation in the form of developed land measuring 89,298 sq. ft. (8,296 sq. mt.)[81] worth Rs. 34.43 crore[82]. However, BDA allotted 98605.77 sq. ft. (9160.70 sq. mt.) of developed land worth ₹ 44.47 crore which was more than quantum of land ordered to be allotted as compensation by the High Court. Based on the guidance value for the year 2017-18, the excess allotted developed land measuring 9307.77 sq. ft. (864.71 sq. mt.) was worth ₹ 10.04 [83]crore.

Thus, the failure of BDA to monitor and ensure payment of entitled compensation awarded as per LA Act, 1894 resulted in lapsing of the land acquisition and consequent judicial scrutiny. BDA was forced to pay compensation in the form of developed sites worth ₹ 44.47 crore as against the original award of ₹ 10.91 lakh. Further lack of due diligence in allotment of the above sites resulted in excess allotment of 864.71 sq. mt. of BDA land worth ₹ 10.04 crore.

Recommendation:
BDA should fix responsibility for the huge delay in payment of land compensation and consequent financial loss to BDA.

The matter was referred to Government in August 2021 and the reply was awaited (December 2021).

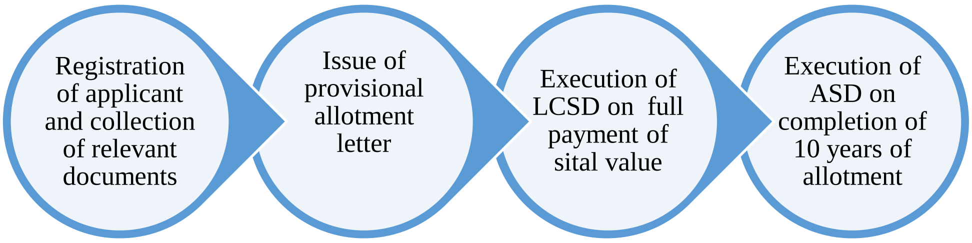
2.9. Execution of absolute sale deed based on suspected fake documents

Manipulation of records and failure of internal control mechanism to verify the genuineness of documents facilitated the applicants to submit fabricated and fictitious documents based on which BDA executed sale deeds for land worth ₹ 10.05 crore.

Bangalore Development Authority (BDA) was set up under the BDA Act, 1976 to promote and facilitate the development of the Bangalore Metropolitan Area. The activities undertaken by BDA *inter-alia* involved acquisition and development of land and allotment of sites for various purposes, *viz*. residential, commercial, *etc*. The process of allotment of sites as per the BDA (Allotment of Sites) Rules, 1984 is depicted in the chart below:

[80] Based on guidance value of 2017-18 for immovable properties under the jurisdiction of Sub Registrar, JP Nagar.
[81] 1 square metre (sq. mt.) = 10.764 square feet (sq. ft.).
[82] Calculated based on guidance value of ₹ 41500/ sq.mt. at Kothanur Village during 2017-18.
[83] ₹ 44.47 crore – ₹ 34.43 crore = ₹ 10.04 crore.

Chart No. 2.9.1: Process flow for allotment of sites for BDA



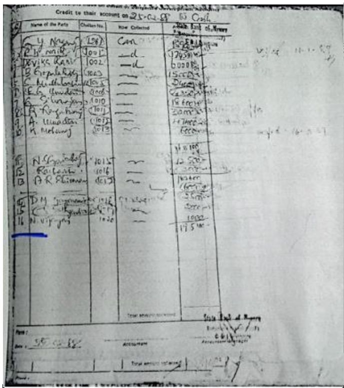
(LCSD – Lease Cum Sale Deed; ASD – Absolute Sale Deed)

The powers to execute the Absolute Sale Deed (ASD) with the allottees, which was to be executed after completion of 10 years of provisional allotment and fulfilment of attached conditions of Lease Cum Sale Deed (LCSD), were vested with the Deputy Secretaries of BDA. The authenticity and genuineness of original documents, such as allotment letter, original challan (proof of payment of sital value), LCSD *etc.* was required to be ensured at the time of executing ASD.

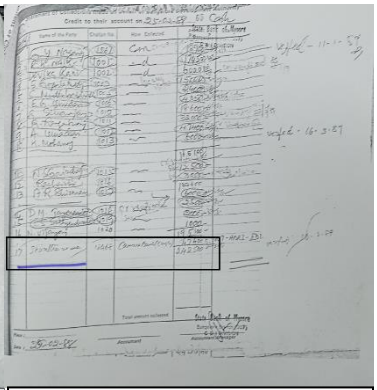
BDA executed a total of 12,771 ASDs during the period 2017-18 to 2018-19. Of which, Audit selected 131 ASDs for a detailed review. However, BDA furnished the records only in respect of 19 ASDs and the records relevant to the remaining 112 ASDs were not made available to audit for verification in spite of audit requisition. Audit observed the following irregularities in 14 out of 19 ASDs whose sale value as per the guidance value (2018-19) fixed by the Stamps and Registration was ₹ 13.75 crore. Specific observations on each of these 14 cases are given in ***Appendix 14.***

Recording of fictitious entries in the Cash Abstract (CA) register

2.9.1. Based on the provisional allotment letter, applicants were required to make full payment of sital value and thereafter execute the LCSD with BDA. Such payments made by the applicants were recorded in the Cash Abstract register maintained at BDA. In seven out of 14 cases (Sl. No 1 to 5, 12 and 14 of ***Appendix-14***), an amount of ₹ 2,13,596 was depicted in the CA register as paid by the allottees against the allotment of 13,200 square feet (seven sites of different dimensions) during the period between March 1983 and February 1988.



Picture No. 2.9.1: Scanned copy of CA register showing entries upto Sl. No.16 and total of ₹ 1,91,500.



Picture No. 2.9.2: Manipulated CA register through fictitious entry No. 17 and total of ₹ 2,42,500.

Audit could not trace the above payments with the supporting documents such as bank statements as the respective banks did not share the documents with audit citing their policy on retention and preservation of documents. Hence, Audit relied on the scanned copies of original CA register (scanned during 2010-12 and maintained by BDA) to cross verify the physical CA register in which the receipt entries (₹ 2,13,596) were made for the above seven cases. Audit noticed that these entries, which were recorded in the physical CA register, were not available in the corresponding pages of scanned copies of CA register. This suggested that the CA register was manipulated through fictitious entries, without the amount actually being received from the allottees. It was further noticed that the page-wise totals of the CA register were also altered to match the fictitious entries.

Payments not reflected in the CA register

2.9.2. In the balance seven cases (Sl. No. 6 to 11 and 13 of ***Appendix-14***) an amount of ₹ 1,27,345 pertaining to allotment of 9,700 square feet for seven sites during the period between February 1976 and February 1988 was not traced to the CA register indicating that the amounts were not remitted to BDA account.

Fabricated LCSDs

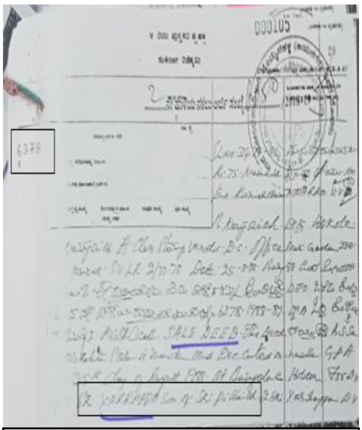
2.9.3. Audit further verified the LCSDs of the 14 allottees, which have been submitted by the applicants for executing ASDs, with the certified copies of LCSDs and Encumbrance Certificates[84](ECs) obtained from the respective Sub-Registrar Office (SRO) concerned. It was observed that the unique document number[85] mentioned in LCSDs submitted by 11[86] applicants were not registered in the names of those applicants, and in two cases (Sl. No 6 and 11 of ***Appendix-14***), the unique document number did not feature in SRO records. In the remaining one case (Sl. No. 12 of ***Appendix-14*)**, execution of LCSD

[84] Encumbrance Certificate issued by SRO indicates all registered transactions pertaining to a property.

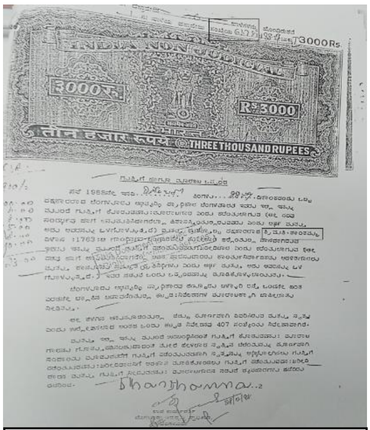
[85] According to Section 52 and 53 of Registration Act 1908, every document admitted to registration shall be numbered in a consecutive series and copied in the register maintained for the purpose.

[86] Sl. No. 1 to 5, 7 to 10, 13 and 14 of ***Appendix-14.***

(September 1988) was, though, confirmed by SRO, the transaction was not recorded in the EC. Further, in all 14 cases, certified ECs obtained from SRO did not record LCSD transactions. Thus, the LCSDs (stated to have been executed during February 1976 to February 1988) submitted by the applicants for concluding the ASDs were fabricated and the allotment of sites to these 14 applicants was irregular.


6378
SALE DEED

Picture No. 2.9.3: LCSD No.6378 in the name of Sri. Yerrappaa certified by SRO.


INDIA NON JUDICIAL
THREE THOUSAND RUPEES

Picture No. 2.9.4: LCSD No.6378 in the name of Smt. Shantamma, not found in SRO records /EC.

Duplicate allotment

2.9.4. The above fact of manipulation of CA register and fabrication of LCSDs is further established by the following three instances (out of 14 cases) wherein the sites, which were previously allotted, were re-allotted to other applicants based on fabricated LCSDs. The following table indicates the allotment of same sites to two applicants, the second allotment was made based on fabricated LCSDs.

Table No. 2.9.1: Allotment of same sites twice to the different applicants

Sl. No.	Details of site allotted	Applicant to whom site was originally allotted		Applicant to whom site was allotted subsequently with fake LCSD	
		Name of allottee	Date of ASD	Name of allottee	Date of ASD
(a)	(b)	(c)	(d)	(e)	(f)
1	Site No. 895/A, HBR Layout, I stage, IV Block (2,400 sq.ft)	Sri. M. Channakeshava Nayak	15.7.2004	Sri. B. Hanumappa	21.12.2017
2	Site No. 1625, HBR Layout, I stage, IV Block (1,200 sq.ft.)	Shri. Muniraj and Shri. Manjunath	21.01.2016	Smt. C.S. Rukmini	26.2.2016
3	Site No.407, HBR Layout, I Stage, II Block (2,400 sq.ft).	Sri. D.N. Vasanthkumar	03.04.2003	Smt. Shanthamma	13.6.2018

It is evident from the above that the previously allotted sites were again re-allotted to the applicants (Column (e) of table) by executing ASDs based on fabricated LCSDs. It was observed that one of the above three original allottees (Sl. No.1 of column (c) of table) approached the High Court of Karnataka against BDA challenging the re-allotment.

Allotment of alternative sites

2.9.5. BDA (Allotment of sites) Rules 1984 prescribed that alternative sites can be allotted only where mistake in allotment was on the part of the authority and/or the possession of the sites originally allotted could not be given to the allottees due to stay orders/disputes. Audit observed that in two cases (Sl. No. 10 and 11 of ***Appendix-14***), ASDs were executed for an alternate site in lieu of site allotted against fabricated LCSD based on the request of the allottees in violation of allotment rules.

Loss to the exchequer

2.9.6. Audit also observed from the latest ECs that 13 out of 14 allottees had sold the sites (except Sl. No.10 of ***Appendix-14***) within two to twelve months from the date of registration of ASD, indicating that the intention of the applicants was to make quick money through deception. The guidance value of 11 sites (Sl. No.12, 13 and 14 of ***Appendix- 14*** excluded as these were the cases of re-allotment) worked out to ₹ 10.05 crore which the BDA had to forego as these sites were appropriated by creating fabricated documents.

Absence of internal controls

2.9.7. The following lapses in internal control mechanism were noticed in audit:

- The entries of site numbers in allotment register were not made serially, which facilitated manipulation through insertion of fictitious/duplicate entries.
- The Deputy Secretaries who were vested with the powers to execute the ASD failed to ensure correctness of LCSDs submitted by allottees. There was no system in place to cross verify LCSDs with that of records maintained at SROs, thereby there was no means to verify the correctness of LCSDs at the time of executing ASDs.
- The watch register for unallotted/stray sites was not maintained and monitored, facilitating execution of fake ASDs by creating fabricated LCSDs.

The matter was referred to the State Government in October 2021 and reply is awaited.

Conclusion

BDA executed the 14 Absolute Sale Deeds by manipulating CA register through fictitious entries and fabricated LCSDs facilitating the allottees to make undue gains. The minimum loss to BDA was ₹ 10.05 crore in 11 cases and the remaining three cases was fraught with legal complications as BDA allotted these sites to multiple beneficiaries.

Recommendations:

- **BDA may take action to fix responsibility and enforce accountability for the irregularities pointed out;**
- **BDA may internally examine omissions in other allotments to ensure that they were being carried out as per requirement and rules.**

2.10. Avoidable financial burden on account of non-observance of statutory provisions for Service tax payment

Delay in payment of service tax along with failure to claim input tax credit within validity time resulted in avoidable financial burden of ₹ 6.26 crore.

Government of India brought services related to ‘Construction of complex’ under the ambit of service tax with effect 16 June 2005. The ‘Construction of Complex’ has been defined as any service provided for construction of complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration was received after issuance of completion certificate by the competent authority.

Further, as per Section 75 of the Finance Act, every person liable to pay service tax who fails to credit the tax or any part thereof to the account of Central Government within the period prescribed, shall pay simple interest at such rate not below ten *per cent* and not exceeding thirty-six *per cent* per annum. Rule 3 of the Cenvat Credit Rules 2004, specified that the provider of taxable services shall be allowed to take credit of any input services received for provision of output services. The time limit for availing the above credit was fixed as one year from the date of issue invoice by the service provider with effect from 1 March 2015.

Bangalore Development Authority (BDA) undertakes construction of housing units in Bangalore which are allotted to the public after issuing notifications from time to time. The authority collected service tax from the allottees along with payment towards housing units. In addition, BDA collected service tax on lease amount of the Civic Amenity (CA) sites and also on rent charges collected from telecom operators to lay Optic Fiber Cable (OFC)

On the review of related records relating to service tax collection and remittance by BDA, audit made the following observations on three cases.

- BDA collected service tax from allottees at the rate of 12.36 *per cent* on the labour portion of value of flats on provisional basis. The above service tax collected from the allottees during 2011-17 amounting to ₹ 10.15 crore was not remitted to the Government account as there was no clarity regarding applicability of service tax on the above transactions. BDA also failed to account the service tax separately and the entire amount remitted by the allottee was accounted as cost of flats. Based on demand (June 2016) from Directorate General of Central Excise intelligence, BDA remitted (March 2017) an amount of ₹ 8.22 crore to the Department under protest and requested the department to refund the same considering the transaction as sale of immovable property. The balance amount was also remitted to the Government account during the period from May 2017 to December 2017. Since there was delay in payment of service tax, BDA had to pay (December 2017) interest amounting to ₹ 2.62 crore as per the provisions of Section 75 of the Finance Act.

- Similarly, BDA delayed payment of service tax collected (2013-2017) amounting to ₹ 1.34 crore on service charges levied on telecom operators to lay and maintain OFC and ₹ 2.87 crore collected on lease rent of civic amenity sites respectively. On demand from the service tax department, BDA belatedly remitted (September 2018) the service tax which attracted a penal interest of ₹ 2.26 crore.

- During 2017-18, BDA claimed ₹ 15.40 crore as input tax credit accumulated on the service tax component of payments made to housing project contractors. This included an amount of ₹ 1.14 crore pertaining to the year 2015-16 which was disallowed as per the provisions of Rule 4(7) of Cenvat Credit Rules as the claim was made after one year from the date of invoice. Thus, delay by BDA in claiming cenvat credit resulted in loss of input credit of ₹ 1.14 crore, besides payment of penal interest of ₹ 0.24 crore on the disallowed amount

In the above illustrated cases, BDA paid an avoidable interest of ₹ 5.12 crore to service tax authorities due to the delay in remittance of service tax collected from the allottees. BDA also lost opportunity to claim service tax input credit to the tune of ₹ 1.14 crore, as the claims were not made within the stipulated time frame as per the relevant provisions.

The State Government replied (June 2021) that the delay in remittance of service tax and claiming input tax credit was due to the ambiguity regarding applicability of service tax on BDA housing projects. Reply cannot be accepted for the following reasons:

- Despite the ambiguity, BDA collected service tax provisionally from the allottees;

- the tax receipts were not accounted separately, but kept in common account along with sale proceeds which has been utilised for BDA activities from time to time;

- The sale proceeds were received before the grant of completion certificate of the flats which attracted service tax as per the extant provisions.

Recommendation:

BDA should ensure compliance to various provisions of Finance Act and ensure mechanism to obtain expert opinion regarding the implication of the provisions of the Act in its transactions, which has a substantial bearing on its finances.

2.11. Undue benefit to the contractor on reimbursement of Service Tax

Bangalore Development Authority (BDA) reimbursed service tax amounting to ₹ 4.34 crore for three housing projects which were exempted from payment of service tax resulting in undue financial accommodation to the contractors.

The housing projects of Bangalore Development Authority (BDA) were taken up under lump sum and turnkey basis. Clause 8 of special conditions of contract of the tender document provided that the lump sum amount for which the tender was approved shall be inclusive of all taxes and the tenderer may consider taxes, duties, royalties, *etc*. prevailing one month earlier to the date of submission of the tender for quoting the prices. The clause further provided BDA to reimburse increases in taxes due to subsequent changes effected by State/Central Governments.

Government of India (GoI) exempted (June 2012) services provided to Government, local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession from service tax (Sl No.12(a) of Notification No.25/2012-Service Tax)

GoI withdrew (March 2015) the above exemption with effect 1 April 2015. Audit observed that in three[87] housing projects, the contractor requested (October 2015) BDA to reimburse applicable service tax from 1 April 2015 referring to the withdrawal of exemptions under Section 12 (a). The contractor's argument was that service tax was not applicable at the time of tender[88] and was made liable from 1 April 2015. Based on the request of the contractor, BDA reimbursed (March 2016 to May 2016) the service tax applicable (for the works executed from April 2015 to March 2016) on the above three projects amounting to ₹ 4.34 crore[89] calculated on percentage basis on the work bill payments for the period.

GoI in Financial bill 2016 re-introduced the withdrawn exemption under Section 12(a) with retrospective effect from 1 April 2015 upto 29 February 2016 and provided for refund from service tax department any service tax collected for the services rendered during the above period. The exemption under 12(a) was further extended (March 2016) up to 31 March 2020 and applicable only for contracts entered before 1 March 2015.

Audit observed that the contracts of the above three projects were entered before 1 March 2015 and hence service tax exemption under clause 12 (a) was available for these projects. In spite of the above, BDA compensated the contractor an amount of ₹ 4.34 as reimbursement of service tax for the above three exempted projects resulting in undue financial accommodation to the

[87] Kaniminike Phase II and III and Kommaghatta Phase I (Survey No.30).
[88] The tenders for the four projects were submitted during August 2013 to October 2014.
[89] Kaniminike Housing Project Phase II – ₹ 1,64,20,425, Kaniminike housing Project Phase III – ₹ 1,62,98,162, Kommaghatta housing project Phase I- (Survey no.30) – ₹ 1,07,30,267.

contractor. The BDA had not taken any action to recover the amount even after the above works were completed and final bill were paid (June 2017)

The mater was referred to the State Government in October 2021 and the reply was awaited.

Recommendation:

BDA should take action to recover the payments made for service tax reimbursements for exempted projects and fix responsibility for lack of due diligence in authorising the payments.

2.12. Unintended benefit to the contractor on execution of variation item

Bangalore Development Authority approved item of work already existing in the scope of contract as variations resulting in undue benefit to the contractor to the tune of ₹ 2.34 crore.

Paragraph 152 and 159 of Karnataka Public Works Code states that in a lumpsum contract, the contractor was responsible for carrying out all the works as per the approved drawings and specification, for a fixed price within a stipulated time. The payments were to be made in fixed instalments prescribed for stages of completion of work.

The housing projects of Bangalore Development Authority (BDA) were taken up under lump sum and turnkey basis. The construction of housing project at Alur Village Phase-II[90], Bengaluru North was awarded (July 2014) on lump sum turnkey basis to M/s. Gowri Infra Engineer Private Ltd. at their quoted price of ₹ 158.38 crore. The work was under progress (January 2021) and the contractor was paid (June 2020) an amount of ₹ 165.15 crore. As per drawings and specifications put to tender the scope of work inter-alia included construction of 252 type three houses with three toilets per house and the contractor was required to quote his prices considering the drawings and specifications attached with the tender document.

Audit observed that BDA approved (December 2018) variations amounting to ₹ 12.81 crore in respect of the above project which included construction of additional toilet (third toilet) to the type three houses at an extra cost of ₹ 3.91 crore. BDA also entered into a supplementary agreement (February 2019) with the contractor for executing the variations. The approval of additional toilet was made based on the report furnished by Extra Financial Committee[91] constituted to examine extra financial implications in respect of works executed by BDA. However, the committee did not exercise due diligence as the additional toilets were included under variation items without taking into consideration the original estimates and drawings which already had provision of three toilets for each house. Audit also conducted (September 2021) joint physical verification with BDA officials and ascertained that the completed houses had three toilets

[90] 252 Type 3 two BHK, 96 Type 2 two BHK and 104 Type 1 three BHK units.
[91] Consisting of Engineering Member BDA, two retired chief engineers and a retired professor in civil engineering.

only. Out of ₹ 3.91 crore provisioned for extra toilet in the variation agreement, BDA paid (March 2019) an amount of ₹ 2.34 crore to the contractor.

Thus, entrustment of an item of work already existing in the original scope of contract as variation was irregular and resulted in undue benefit to contractor to the tune of ₹ 2.34 crore.

The matter was referred to the State Government in October 2021 and reply was awaited.

Recommendation:

BDA should recover excess payments made and fix responsibility for approval and payment for items of works executed under variations which were already covered under original scope of the contract.

Karnataka Urban Water Supply and Drainage Board

2.13. Improper planning and execution of UGD works

Lack of planning and disorderly execution of underground drainage works resulted in non-completion of the works amounting to ₹ 198.75 crore, depriving the urban population the intended benefits, apart from causing environmental damages.

Introduction

2.13.1. Increasing urbanization has resulted in greater pressure on the existing urban water supply and sanitation systems leading to increasing demand to augment water source and improve distribution on the one hand and on the other hand to increase the coverage of underground drainage (UGD). The Karnataka Urban Drinking Water and Sanitation Policy (UDWSP), 2003 also aimed at universal coverage of water and sanitation services to all residents of urban areas of the state in partnership with Urban Local Bodies (ULBs), Karnataka Urban Water Supply and Drainage Board (Board) and Bangalore Water Supply and Sewerage Board (BWSSB). The Board was responsible for capacity creations and augmentation of infrastructure for providing adequate and safe water supply and also proper sanitation to all the Urban areas. The Board was an implementing body for drinking water supply and UGD schemes in all urban areas of the State except Bengaluru city[92].

There were 51[93] UGD projects under taken by the Board between August 2007 to March 2020, which were incomplete as of March 2020. Of these 51 ongoing projects, Audit test checked (January 2021 to March 2021) 14 projects, which were lingering for more than two years from their scheduled dates of completion (***Appendix-15***). The works in these projects involved construction of 18 STPs, 31 wet-wells, 17 septic tanks, 705.18 KMs of sewer lines and 25,807 numbers (Nos) of manholes. These works whose total estimated cost was ₹ 394.97 crore

[92] Bangalore Water Supply and Sewerage Board was responsible for Bangalore city.

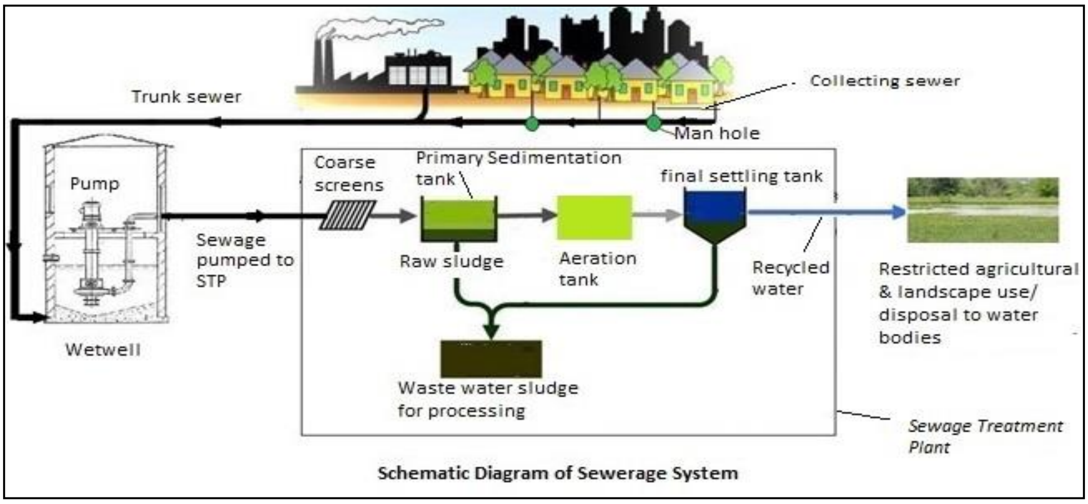
[93] Four projects taken up under Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) of GoI and 47 projects under the schemes of GoK.

were scheduled to be completed between April 2009 and November 2018. As of March 2021, the Board incurred an expenditure of ₹ 198.75 crore on these 14 projects. Audit also conducted Joint Physical Verification (JPV) of the projects along with the Board officials.

Working of UGD system

2.13.2. UGD is a system of pipes laid to a self-cleansing gradient which conveys liquid sewage away from the households in the speediest and efficient way possible to the sewer without any risk of danger to health and safety. The sewage collected through the network of sewer lines is stored in wet well and finally pumped to Sewage Treatment Plant (STP) for treatment and ultimate disposal to natural water bodies. In the absence of STP, the raw sewage is collected in septic tanks/soak pits and drained to the natural water bodies thereby causing pollution. The processes involved in an ideal UGD system is indicated in ***Chart No.2.13.1***

Chart No. 2.13.1: Ideal UGD System



Laid down procedure for UGD works

2.13.3. Karnataka Public Works Departmental Code stipulates that no works shall be taken up or tenders invited for a work without ensuring availability of land. The UGD works executed by the Board involved acquisition of land for construction of wet wells and STPs. In order to avoid delays in completion of STP works under UGD schemes due to non-acquisition of land, the Board issued (May 2005) instructions according to which the Executive Engineers (EEs) concerned were required to adhere to the procedure as indicated below:

Chart No. 2.13.2: Prescribed sequencing of works for UGD schemes

1. • Identify suitable land for STP and outfall sewerlines at Detailed Project Report stage and obtain clearance from Karnataka State Pollution Control Board (KSPCB).
2. • Obtain administrtative approval of the project from Government
3. • EEs to take steps for acquisition of land and commence the work, once the land aquisition process was in the final stage.
4. • To take up the work of sewerlines and construction of manhole chambers after commencement of STP work to ensure UGD schemes were complete in a holistic way.

Audit findings

Non-ensuring availability of land

2.13.4. A total of 85 acres and 38.50 guntas of land was the estimated requirement for construction of 18 STPs and 31 wet wells in the test checked 14 projects. Audit observed that ULBs handed over (March 2021) 45 acres and 36.50 guntas relating to eight out of 14 projects to the Board as of March 2021, *i.e.* after lapse of 5 to 14 years of initiation of works. The land for the remaining six projects[94] was not handed over yet (March 2021).

Audit further observed that works have not been completed even in eight projects where the land was acquired due to the following reasons:

- In four[95] projects where land was handed over by ULBs, work had not commenced due to public protests/court cases. This indicated the fact that the public consent was not obtained before land was taken over by ULBs;

- In two projects (Bagepalli and Hirekeruru), the land was handed over (May 2020 and January 2018)) after completion (June 2015 and May 2017) of the sewer network. The work of construction of STP, wet-well and allied works were withdrawn from the original contract and the works were foreclosed (July 2016 and July 2019). The work of STP and wet-well were yet to commence (March 2021) in the allotted land.

- In one project (Kumta), though land was handed over as early as November 2010, construction of STP has not commenced due to lack of clearance from Karnataka Coastal Management Authority and KSPCB.

- In one project (Nanjanagudu), one STP and two out of three wet-wells planned were completed. The land required for remaining one wet-well has not been acquired (March 2021).

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[94] Arkalgudu, Bantwala, Chintamani, Kaup, Kundapura and Madikeri.
[95] Honnavara, Pandavapura, Saundatti and Ullala

- Only four out of 31 planned wet-wells and one[96] out of 17 planned STPs were completed, and all the 17 septic tanks planned have not been taken up.

Thus, the Board had taken up the UGD works without ensuring the availability of land in violation of KPWD code and its own instructions. It was observed that specific clauses stipulating the ULBs concerned to ensure handing over of land for STP works were incorporated in the administrative approvals of only four[97] out of 14 projects. Thus, the Board took up majority of UGD works without obtaining assurance from the ULBs regarding land for STP and wetwells. Also, the Board had failed to complete the works even in the cases where the land was handed over due to non-obtaining public consent, clearances from KSPCB *etc.*

Completion of sewer line network without completing STPs

2.13.5. As per the instructions issued by the Board, the works for sewer lines and construction of manhole chambers had to be taken up after commencement of STP works. Audit however observed that without ensuring commencement of STPs, the Board had completed 530.82 KMs out of 705.18 KMs of sewer lines (75 *per cent*) and 19,875 Nos (77 *per cent*) out of 25,807 numbers (Nos) of manholes as of March 2021. The physical progress in respect of 14 test checked projects is indicated in ***Appendix-16***. These assets were created during the period between October 2010 and November 2018 incurring significant expenditure of ₹ 198.75 crore.

Audit further observed that the Board and ULBs planned to provide 78,094 House Service Connections (HSCs) under these 14 projects. Of which, only 21,286 HSCs (27 *per cent*) were provided as of March 2021. The Board made provision for HSCs in seven out of 14 projects, while in the remaining seven projects[98] where ULBs were responsible, audit observed that two[99] ULBs did not have even a plan of action for providing the HSCs.

Thus, in the absence of creation of STPs and wet-wells corresponding to the above sewer line network (530.82 KMs) and non-provision of adequate HSCs, the expenditure of ₹ 198.75 crore incurred on creation of these assets remained unfruitful, defeating the purpose. More importantly, non-completion of STPs had greater impact on environment as discussed below.

Pollution of natural water bodies

2.13.6. Audit observed that the test checked local bodies were discharging 53.113[100] Millions of Litres per Day (MLD) of untreated sewage into natural water bodies (rivers, lakes, *etc.*). The details of sewage generated by each local body per day, mode of disposal of sewage and the water body polluted is

[96] At Nanjanagudu.
[97] Arkalgudu, Bagepalli, Hirekeruru, Madikeri.
[98] **UIDSSMT scheme:** Kundapura, Nanajangudu, Pandavapura and Soundatti; **State Plan scheme:** Bantwal, Chintamani and Ullala.
[99] Bantwal and Ullal.
[100] Excluding 11.920 MLD generated in Nanjanagudu town where construction of STP has been partially completed.

illustrated in ***Appendix-17***. Non-completion of STPs resulted in untreated sewage being let out to the water bodies causing pollution and endangering the lives. The important observations from the JPV conducted along with Board officials are detailed in ***Appendix-18.*** It could be observed that in the absence of STPs, the untreated sewage water was directly let into the rivers, which were source for dinking and other purposes thereby causing environmental hazards and endangering the human lives.

***Idling of pipes costing* ₹ 3.68 crore**

2.13.7. The Board made (April 2016 to August 2020) payment[101] amounting to ₹ 6.63 crore for procurement of 96 KMs of various classes of pipes to the contractor in connection with the UGD works at Kundapura. Of which, 41 KMs of pipes was utilised (August 2020) and the remaining 55 KMs of pipe worth ₹ 3.68 crore was lying unutilised with the contractor for more than four years as the site for construction of STPs and wet wells were yet to be finalised.

Conclusion

1. The Board failed to complete the STPs in spite of availability of land in 7 projects and non-ensuring of availability of land in six projects. The absence of STPs had a debilitating impact on the environment as well as human lives as the untreated sewage was let out to water bodies which serve as drinking water source for the people living in the project areas.

2. The expenditure of ₹ 198.75 crore incurred for creating sewer network remained unfruitful due to non-completion of corresponding STPs and not ensuring HSCs.

3. Non-utilisation and non-maintenance of sewer network created over a period of more than 10 years, is fraught with risk of assets becoming obsolete.

Thereby the stated objective of augmentation of infrastructure for providing adequate and proper sanitation to the urban population as envisaged in the Karnataka Urban Drinking Water and Sanitation Policy remained unachieved in 13 ULBs.

The matter was referred to the State Government in October 2021 and the reply was awaited (November 2021).

Recommendation:
The Board should ensure the availability of land for STPs and wet wells before executing UGD works to ensure that the UGD system was completed holistically for providing adequate sanitation facilities to the public and prevent environmental damages.

[101] 75 per cent of tendered cost.

2.14. Non-adherence to codal provisions resulted in loss of ₹ 1.61 crore

The failure of Karnataka Urban Water Supply and Drainage Board to follow the procedure prescribed in Karnataka Public Works Departmental code for approval and regulation of payments for variation items resulted in financial loss of ₹ 1.61 crore.

Paragraph 184 of Karnataka Public Works Departmental (KPWD) Code prescribes that no extra item of work shall be ordered by the Executive Engineer (EE) without obtaining approval of the Superintending Engineer (SE) or Chief Engineer (CE) who originally accorded technical sanction to the estimate. As a corollary, EE should not offer any specified rates to contractors for such items until approval of technical sanctioning authority is obtained. The contractor as well as the engineer in charge of the work shall proceed only after written approval from the competent authority before the execution of extra or additional work.

Government of Karnataka administratively approved (September 2012) the work of Under Ground Drainage (UGD) scheme to Nanjangudu town under the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) at an estimated cost of ₹ 25.00 crore. Under the above estimate, the Managing Director (MD) of Karnataka Urban Water Supply and Drainage Board (Board) approved (March 2014) detailed technical sanction for the work of "Providing sewer network in Halladakeri, providing DI rising mains, construction of primary treatment unit, wet wells and 7 MLD capacity Sewage Treatment Plant (STP) and allied works" amounting to ₹ 8.21 crore. The work was entrusted (June 2015) to a contractor at his tendered cost of ₹ 10.75 crore. The work was completed (July 2017) except the item "construction of wet well" which was not tackled as the site was not handed over by the urban local body. The contract was foreclosed (August 2017) excluding the above component after incurring an expenditure of ₹ 9.42 crore.

Audit observed that during work inspection, the Selection Grade Executive Engineer, Mysuru issued (February 2016) instructions to excavate the hard rock at the STP site by controlled blasting, since it was close to national highway, a temple and a poultry farm and to regulate the payments for the above item of work at the rates quoted by the agency for other similar works. Since the rate for excavation in hard rock by controlled blasting for STP was not available in Bill of Quantities (BoQ), rates for excavation in hard rock by controlled blasting for wet well available in BoQ was adopted for regulating the payments.

The following observations are made during audit:

- The BoQ had provision only for "excavation in hard rock for STP", the rates for which was adopted from Minor Irrigation Schedule of Rates (MISR). Since the item of "excavation in hard rock by controlled blasting for STP" was not available in BoQ, it should have been treated as extra item and payments regulated as per the tender clause 35.3[102], *ie*, MISR 2014-15 + tender premium. However, EE Mysuru made the payment at the rates applicable for "hard rock excavation by controlled blasting for wet well" which was a different item in BoQ, resulting in excess payment as detailed below:

Table No. 2.14.1: **Excess rate paid for excavation in hard rock for STP**

Sl. No.	Depth (metre)	Quantity executed (CuM)	Rate adopted for payment as applicable for wet well (₹/CuM)	Rate to be adopted treating as EIRL item (₹/CuM)	Excess rate paid (₹)	Excess payment made (₹)
1	0-2m	12,550.28	1688.34	671	1017.34	1,27,67,901.86
2	2-4m	2,202.72	1782.14	671	1111.14	24,47,530.30
3	4-6m	735.26	1875.93	671	1204.93	8,85,936.83
4	**Total**					**1,61,01,369**

- As per provisions of KPWD code, payments pertaining to the variation items needs to be made only after approval of the authority who accorded technical sanction to the estimates. This condition was reiterated by the Board in its circular dated 07 January 1996. However, EE Mysuru made payments for variation items at the above higher rates without the approval of the MD of the Board who had technically sanctioned the estimates. EE Mysuru submitted (March 2018) the variation proposals to the Board for approval only after making payment (November 2016) to the contractor.

- The Schedule of rates prescribe that, if the financial implication for controlled blasting exceeds ₹ two lakh, the CE should undertake random check of the measurements made. Though the financial implication was around ₹ 1.61 crore, the CE did not conduct the mandatory random check and inspection.

The Board on realising the mistake and based on audit observation, revised the variation statement (July 2018) and ordered to recover the excess payment of ₹ 1,61,01,369/- from the contractor. The Board encashed (September 2019) the bank guarantee submitted as security deposit amounting to ₹ 53,75,000 However, the balance amount of ₹ 1,07,26,369 was yet to be recovered from the contractor.

The contractor aggrieved by the Board's decision refused to sign the variation proposal and filed an application in the High court for appointing arbitrator which was allowed (February 2020). The Arbitration Court in its verdict (March 2021) agreed to the request of the contractor for quashing the recovery proceedings and ordered to refund the encashed bank guarantee with 9 *per cent* annual interest for the following reasons:

[102] Tender clause 35.3 prescribe that if there is no rate for the additional/substitution or altered item of the work in the BoQ, efforts should be made to derive the rates from those given in the BoQ or the SR applicable for the area of the work and current at the time of award of contract and if found feasible payment would be made at the derived rate for the item plus or minus the overall percentage of the original tendered rates over the Current Schedule of Rate (CSR) prevalent at the time of award of contract.

- The Board should have rectified the mistakes at appropriate time and should have recovered the excess payment before foreclosing the contract.

- The Board has no power to revise the rates unilaterally after the foreclosure of the contract, as the contactor stood discharged from the conditions of the contract and fresh liability cannot be imposed upon him.

Thus, the failure of the Board in adhering to the KPWD code and its circulars for regulating variation payments resulted in excess payment to the contractor. The lapses of the Board in following due procedure worked against the Board's arguments in the arbitration case leading to the rejection of recovery claim against the contractor and consequential financial loss of ₹ 1.61 crore to the Board.

The State Government replied (September 2021) that payment for variation item at higher rate without the approval of competent authority was made to ensure the progress of the work and that the Board had filed (June 2021) appeal against the arbitration court judgement. The reply was not acceptable as the Board failed in adhering to the codal provisions regulating payment for the variation item which resulted in excess payment to the contractor and rejection of Board's arguments in arbitration case.

Recommendation:
The Board should fix responsibility for the lapses leading to the financial loss and should initiate action to strictly enforce the codal provisions regulating payments for items of work executed under variation.

Housing Department

2.15. Undue benefit to the contractors due to non-recovery of mobilisation advances for works which were not commenced and under slow progress

Payment of mobilisation advances without any need based analysis and non-recovery of the advances in a time bound manner resulted in blocking up of Karnataka Slum Development Board's fund with contractors and loss of interest income amounting to ₹ 1.73 crore

Section 200 of Karnataka Public Works Departmental (KPWD) code stipulated payment of mobilisation advance to the extent of 5% of the agreement amount within 15 days of the issue of work order against production of bank guarantee obtained from scheduled banks. Central Vigilance Commission (CVC) prescribed (April 2007) that payment of mobilisation advance should be need based and that recovery of the advances should be time based and not linked with the progress of work.

Karnataka Slum Development Board (Board) has taken up development of the notified slums across the State under various schemes funded by central and state Governments. These works were executed through contractors selected following due tender procedure and as per the agreed terms and conditions of standard tender document. Clause 42 of the agreement regulated the sanction and recovery of mobilisation advances under the following conditions:

- The contractor was required to produce copies of invoices or other documents to the employer in support of utilisation of advance;
- The recovery of advance was to commence from the next interim payment certificate or three months from the date of payment of first instalment of advance, whichever was earlier;
- The advances shall be completely repaid prior to the expiry of original or extended time for completion.

Audit conducted (September 2020 to November 2020) a review of mobilisation advances made by the Board in respect of 50 works taken up during 2017-20 and observed the following:

- In respect of 4 works (***Sl. No. 1 to 4 of Appendix-19***) though the Board released an amount of ₹ 9.91 crore as mobilisation advance, the works had not commenced even after two to three years from the date of release of the advance. The reasons for non-commencement of works were change in scope and location of the project, ownership disputes and delay in clearing of sites. The sanction of interest free mobilisation advances for the above works when there was little prospect of commencement lacked justification. The Board also did not initiate action to recover unutilised advances either through rescinding the contract or operating the agreement clause which provided for recovery of advances after three months from the date of payment.
- The Board did not ensure that advances were utilised for actual procurement of materials related to execution of works as the contractors submitted only proforma invoices as proof of utilisation.
- The Board provided mobilisation advance at 10 *per cent* of the tendered cost in respect of the work for "Construction of 252 dwelling units at M R Jayanagar slum, Malleshwaram" (***Sl. No. 1 of Appendix-19***) as against five *per cent* prescribed under KPWD code.
- Audit also observed that in respect of five works (***Sl. No. 5 to 9 of Appendix-19*****),** the Board did not taken action to grant extension of time even though they were delayed beyond the stipulated date of completion. Against a total of ₹ 16.51 crore released as mobilisation advance for these works, recovery of ₹ 12.54 crore (76 *per cent*) was pending as of 31 March 2021. The Board failed to recover the unutilised advances as per the agreement clause which stipulated their recovery prior to the expiry of original or extended time for completion.

Audit calculated the loss of interest[103] to the Board on account of delayed recovery of advances which worked out to ₹ 1.73 crore. The lack of due diligence by the Board while making advance payments and failure to operate agreement clause related to time-based recovery of mobilisation advances resulted in undue financial accommodation to the contractors and loss of interest income to the Board.

The matter was referred to the Government in September 2021 and reply was awaited.

Recommendation:
The Board should take action to enforce the tender agreement clauses related to time-based recovery of mobilisation advances in respect of works which have not started or under poor progress.

HOME DEPARTMENT

2.16. Embezzlement of Government Money

Lax supervision and lack of internal control mechanism resulted in embezzlement of ₹ 4.68 lakh in the Office of Superintendent of Police, Tumakuru

Article 328 of the Karnataka Financial Code prescribes that all sums of money which a Government servant receives in his official capacity must immediately be paid in full into the nearest treasury/bank. In addition, article 329 (v) of KFC prescribe that when Government moneys in the custody of a Government officer are paid into the treasury or the bank, the DDO/head of the office should compare the entry in the cash book with treasury/bank records to satisfy himself that the amounts have been actually credited into the treasury or bank. The code also prescribes monthly reconciliation of all remittances with the consolidated schedule of remittances obtained from treasury.

Audit scrutiny (January 2021) of the cash book and remittance register of Superintendent of Police (SP), Tumakuru revealed that the department received an amount of ₹ 22.88 lakh during the period from April 2018 to March 2020 on account of receipts from auction, RTI fees, arms training *etc*. which were shown as remitted to the Government accounts. Audit verification of the correctness of the remittances with the of treasury records revealed that 17 items of receipts during the period from April 2018 to April 2019 amounting to ₹ 4,68,412 were not reflected in KTC 25[104]document of treasury. Audit also verified the bank scrolls of SBI, Treasury Branch, Tumakuru which confirmed that these transactions were not reflected in the bank statements. The Chief Manager of the bank also endorsed non-receipt of these amounts in the bank. All of the above, conclusively proved that an amount of ₹ 4.68 lakh was not remitted to Government account and was embezzled.

[103] Audit has worked out interest loss on conservative basis at simple interest of three *per cent* per annum.
[104] KTC 25 is the DDO wise consolidated schedule of receipts maintained in treasury.

Seals used in bank
Round Seal: used as acknowledgement for general documents or letters received from customers and not used for financial transactions
Rectangular Seal: used in financial transactions and contain details of the teller executing the transaction, date of transaction, branch code *etc.*

On further scrutiny, audit observed that the work related to remittance was entrusted to a police constable, under the oral instructions of the Superintendent of Police, Tumakuru. The office cashier received the departmental receipts, generated the challans under Khajane-2[105] software of the treasury and handed over the amounts along with generated challan to the constable for remittance to the bank. However, the official, instead of remitting the amount in the bank, tampered with the challans by affixing round seal of the bank instead of rectangular seal used for financial transactions. The above tampered challans were submitted to the department as proof of remittance and were taken to cash book and remittance register.

The misappropriation by the official remained undetected as the following control procedures prescribed in Article 329 (v) of KFC were not followed in the office:

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

The failure in carrying out the above control procedures prescribed in KFC and slack supervision resulted in embezzlement of Government money to the extent of ₹ 4.68 lakh. Based on audit observation, SP Tumakuru called for explanation from the delinquent official who confessed to the act of embezzlement and remitted (January 2021) the defalcated amount of ₹ 4,68,412 to the Government account.

The State Government in its reply (June 2021) accepted the audit observation and stated that the police constable who misappropriated Government money was suspended and departmental enquiry was under progress against the official. The reply also stated that all offices were instructed to carry out monthly reconciliation of departmental receipts with treasury records. However, action against other officials who were responsible for the internal control lapses in the department was yet to be initiated (November 2021).

Recommendation:
The department should ensure that all offices carry out the prescribed internal control procedures such as verification of treasury remittances with original records and monthly reconciliation of receipts with treasury statements to prevent defalcation of Government money.

[105] Khajane-2 is the integrated financial management system of Government of Karnataka.

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 2020, there were 120 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[106] was listed on the stock exchange. Six PSUs[107] newly incorporated/entrusted for audit as on 31 March 2020, have been added. The list of 120 PSUs is given in ***Appendix-20***.

1.2. The financial performance of the PSUs on the basis of their latest finalised accounts as on 31 December 2020[108] 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[109]				No. of PSUs for which accounts were in arrears (total no. of accounts in arrears) as on 31 December 2020
			2019-20	2018-19	2017-18 and prior	Total	
1	Working Government Companies	101	61	14	5	80	39 (70) [110]
2	Statutory Corporations	6	-	6	-	6	6 (6)
Total no. of working PSUs		**107**	**61**	**20**	**5**	**86**	**45 (76)**
3	Non-working Government Companies	13	6	1	1	8	7 (73[111])
Total no. of PSUs (working+non-working)		**120**	**67**	**21**	**6[112]**	**94**	**52 (149)**

[106] The Mysore Paper Mills Limited.

[107] CBIC Tumakuru Industrial Township Limited (CTITL), Karnataka Brahmin Development Board (KBDB), Karnataka Savitha Samaja Development Corporation Limited (KSSDCL), Karnataka Madiwala Machideva Development Corporation Limited (KMMDCL), Karnataka Alemari and Arey-Alemari Development Corporation Limited (KAADCL) and Karnataka Arya Vysya Community Development Corporation Limited (KAVCDCL).

[108] Date of holding Annual General Meeting (AGM) of PSUs for the financial year 2019-20 was extended upto 31 December 2020 by the Registrar of Companies, Bengaluru *vide* its order dated 8 September 2020.

[109] From October 2019 to December 2020.

[110] Includes 29 PSUs which did not finalise accounts for 2019-20 and 10 PSUs which have arrears of 41 accounts (related to 2019-20 and prior periods).

[111] Includes 64 accounts from four PSUs which are under liquidation (KSVL, MCL, KTL and MACCL).

[112] Includes one non-working PSU for 2017-18, two working PSUs for 2016-17, one working PSU for 2015-16, one working PSU for 2014-15 and one working PSU for 2013-14.

The working PSUs which had arrears of accounts include eight PSUs with arrears ranging from three to six years (DDUTTL, KSSKDCL, KMDC, KSAWDCL, MPM, KSCCL, KVTSDCL and MYSUGAR). Further, four non-working PSUs (KSVL, MCL, KTL and MACCL) had arrears ranging from 15 to 17 years. The working PSUs registered a turnover of ₹ 74,922.04 crore as per their latest finalised accounts as of December 2020. This turnover was equal to 4.60 *per cent* of the State Gross Domestic Product (GDP) for 2019-20 (*i.e.* ₹ 16,28,928 crore). The working PSUs incurred net aggregate loss of ₹ 3,374.05 crore as per their latest finalised accounts as of December 2020. At the end of March 2020, the PSUs had 2.04 lakh employees.

As on 31 March 2020, 13 PSUs having an investment of ₹ 670.18 crore were non-working for the last 17 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[113]. 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.

[113] Karnataka State Road Transport Corporation, Bangalore Metropolitan Transport Corporation, North Eastern Karnataka Road Transport Corporation and North Western Karnataka Road Transport Corporation.

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 2020, the investment (capital and long-term loans) in 120 PSUs was ₹ 1,62,348.15 crore[114] as per details given below:

Table No.2: Total Investment in PSUs

(₹ in crore)

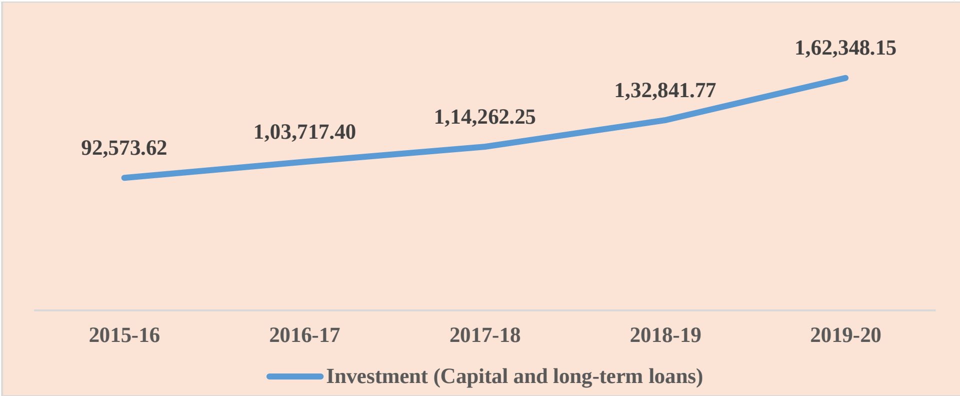
Sl. No.	Type of PSUs	Government Companies			Statutory Corporations			Grand total
		Capital	Long term loans	Total	Capital	Long term loans	Total	
1	Working PSUs	79,300.42	77,289.94	1,56,590.36	1,613.10	3,474.51	5,087.61	1,61,677.97
2	Non-working PSUs	160.21	509.97	670.18	-	-	-	670.18
	Total	**79,460.63**	**77,799.91**	**1,57,260.54**	**1,613.10**	**3,474.51**	**5,087.61**	**1,62,348.15**

As on 31 March 2020, of the total investment in State PSUs, 99.59 *per cent* was in working PSUs and the remaining 0.41 *per cent* in non-working PSUs. This total investment consisted of 49.94 *per cent* towards capital and 50.06 *per cent* in long-term loans. The investment grew by 75.37 *per cent* from ₹ 92,573.62 crore in 2015-16 to ₹ 1,62,348.15 crore in 2019-20 as shown in the Chart below:

[114] As forty-three PSUs did not furnish information on investments as at the end of March 2020, 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 2020 is given below:

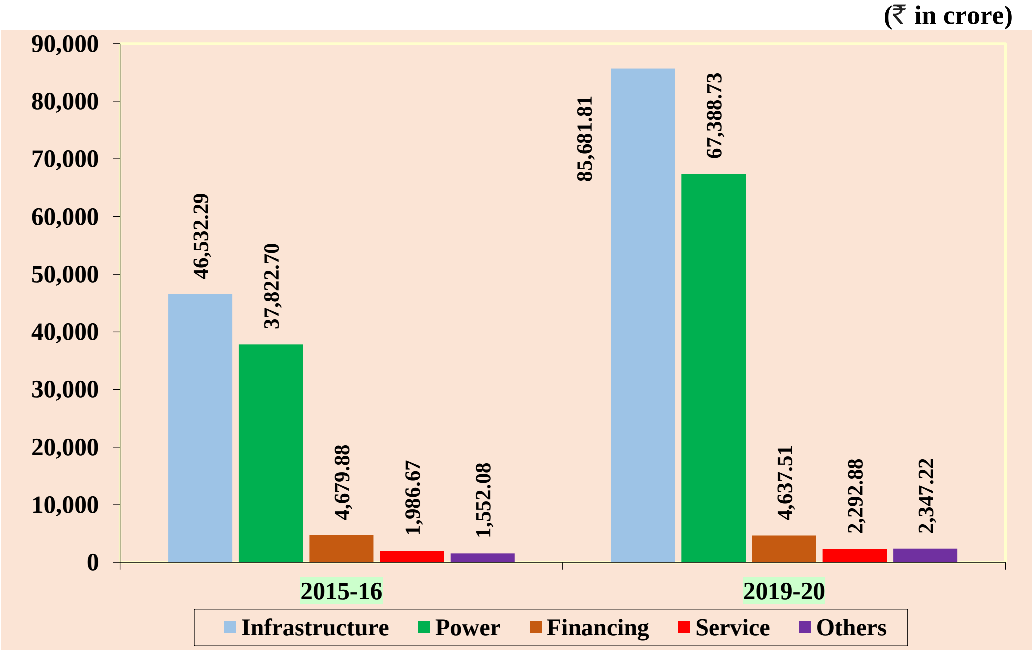
Table No.3: Sector-wise investment in PSUs

Sl. No.	Name of the Sector	Government companies		Statutory Corporations	Total	Investment (₹ in crore)
		Working	Non-working			
1	Agriculture and allied	13	5	1	19	1,060.02
2	Financing	24	-	1	25	4,637.51
3	Infrastructure	24	1	-	25	85,681.81
4	Manufacturing	19	7	-	26	1,277.13
5	Power	11	-	-	11	67,388.73
6	Service	5	-	4	9	2,292.88
7	Miscellaneous	5	-	-	5	10.07
	Total	**101**	**13**	**6**	**120**	**1,62,348.15**

The investment in four significant sectors at the end of 31 March 2016 and 31 March 2020 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 52.78 *per cent* and 41.51 *per cent* respectively in 2019-20. Between 2015-16 and 2019-20, the investment in Infrastructure and Power sectors increased by ₹ 39,149.52 crore and ₹ 29,566.03 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[115], 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 31 December 2020[116]:

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

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1	Number of working PSUs	81	90	94	101	107
2	Total number of accounts finalised during the year	70	72	83	106	110
3	Number of accounts finalised relating to current year	34	30	32	49	61
4	Number of accounts finalised relating to previous years	36	42	51	57	49
5	Number of accounts in arrears	57	75	81	80	76
6	Number of working PSUs with arrears in accounts	47	59	62	52	45
7	Extent of arrears (number in years)	1 to 3 years	1 to 4 years	1 to 5 years	1 to 6 years	1 to 6 years

During the year, 110 accounts pertaining to 86 PSUs were finalised, which included seven accounts of six Statutory Corporations. The number of accounts in arrears increased from 57 (2015-16) to 76 (2019-20). Of the 76 arrears of accounts, 70 accounts pertained to the working Government Companies, which were in arrears ranging between one and six 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

[115] For the Financial Year 2019-20, due date extended upto 31 December 2020 by Registrar of Companies, Bengaluru *vide* order dated 8 September 2020.

[116] The progress for the financial years 2015-16 to 2018-19 was as on 30th September of the respective years.

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

1.11. The State Government made net investment of ₹ 10,097.32 crore in 18 out of 45 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[117] were in the process of liquidation whose accounts were in arrears for fifteen to seventeen years. Of the remaining nine non-working PSUs, six[118] PSUs had no arrears of accounts, the remaining three PSUs (NGEF, BSRCL and MMCL) has arrears of two years (NGEF), six years (BSRCL) and one year (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	1	2019-20	01
2	1	2018-19 to 2019-20	02
3	1	2014-15 to 2019-20	06
4	1	2005-06 to 2019-20	15
5	2	2004-05 to 2019-20	16
6	1	2003-04 to 2019-20	17

Performance of PSUs as per their latest finalised accounts

1.13. The overall profit (losses)[119] earned (incurred) by the working PSUs of the State during 2015-16 to 2019-20 as per their latest finalised accounts as of 31 December 2020 are given in the following bar chart:

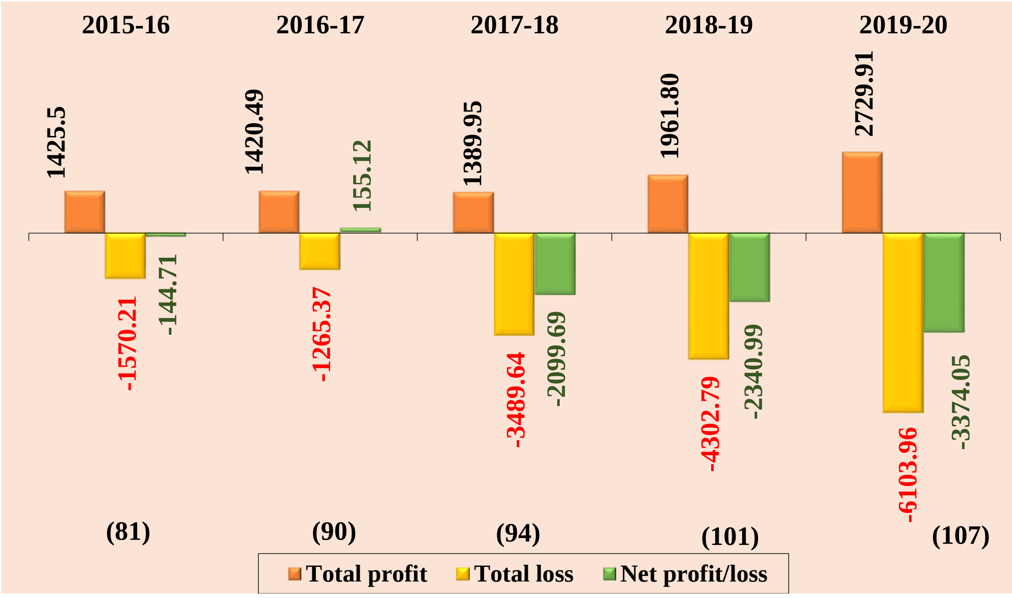
[117] KSVL, MCL, KTL and MACCL.

[118] KAIC, MTC, KPL, MLW, VSL and MCT.

[119] Profit/Losses during 2017-18, 2018-19 and 2019-20 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 120 PSUs, 107 PSUs are working and 13 PSUs non-working. Out of 107 working PSUs, 54 PSUs earned profit of ₹ 2,729.91 crore and 37 PSUs incurred loss of ₹ 6,103.96 crore. One PSU (KSSKDCL) did not finalise their first accounts. Nine PSUs[120] prepared only a statement of income and expenditure. One PSU's (KAMICL) expenditure was equal to its income. Further, five PSUs (KBDB, KSSDCL, KMMDCL, KAVCDCL and KAADCL), incorporated during the year, did not finalise their first accounts.

The major contributors to profit were KPCL (₹ 1,209.56 crore) and KRIDL (₹ 293.94 crore). Significant losses were incurred by RPCL (₹ 2,084.95 crore) and GESCOM (₹ 987.59 crore).

The working PSUs showed net aggregate profits of ₹ 155.12 crore during 2016-17 and incurred net aggregate loss of ₹ 144.71 crore, ₹ 2,099.69 crore, ₹ 2,340.99 crore and ₹ 3,374.05 crore during the year 2015-16, 2017-18, 2018-19 and 2019-20 respectively.

The position of working PSUs which earned profit/incurred loss during 2015-16 to 2019-20 is given in the following table:

[120] RGHCL, KAJDC, 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[121]
1	2015-16	81	51	21	9
2	2016-17	90	52	22	16
3	2017-18	94	51	29	14
4	2018-19	101	54	34	13
5	2019-20	107	54	37	16

Coverage of Report

1.14. The observations on PSUs, which were included under Chapter II of Part II, contained seven Compliance Audit paragraphs.

The financial effect of the observations related to PSUs worked out to ₹ 288.37 crore.

Response of the Government to Audit

Compliance Audit Paragraphs

1.15. Seven Compliance Audit Paragraphs related to PSUs were issued (between March 2021 and September 2021) to the Government of Karnataka with a request to furnish replies. Replies to six Compliance Audit Paragraphs were received and the reply for the one paragraph had not been received from the Government (February 2022). The views of the Government wherever received 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:

[121] 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 31 December 2020

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	2	3
	Total		**4**	**25**	**2**	**4**

It could be seen that replies for two Performance Audits and four Paragraphs, were not furnished by the Government of Karnataka (December 2020).

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 31 December 2020 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
3	2013-14	2	19	2	18
4	2014-15	2	17	2	17
5	2015-16	2	14	2	12
6	2016-17	2	12	1	11
7	2017-18	2	13	-	3
	Total	**16**	**110**	**11**	**95**

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[122], 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 (December 2020).

[122] 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 2020 is given in ***Appendix-21.***

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.

Karnataka Power Corporation Limited

2.1. Non-achievement of intended objective

The quarters built at Bellary Thermal Power Station at a cost of ₹ 118.46 crore did not serve its purpose due to non-occupation by the employees.

Karnataka Power Corporation Limited (the Company), which has three power generation units (capacity of 1,700 MW[123]) at Bellary Thermal Power Station[124] (BTPS), decided (January 2010) to construct staff quarters in a proposed full-fledged township[125] nearer to the power plant for accommodating its employees who were residing in Bellary city, 25 kilometres away from the plant.

The construction, taken up in July 2010/September 2011, was completed at a total cost of ₹ 118.46 crore in May 2016/May 2017. The quarters were ready for occupation in May 2017. The Board of Directors of the Company approved (September 2017) for allotting the quarters to the employees with effect from October 2017. The Board also approved to discontinue certain special allowances[126] granted to encourage employees to opt for working at BTPS during initial stages of establishment of BTPS. The employees, however, refused (February 2018) to occupy the quarters on the grounds of close proximity to the power plant and unsuitability to human habitation, absence of facilities for education, health, *etc*. As a result of refusal to occupy the quarters by the employees, the Company had reversed its decision of discontinuing free transportation facility and stoppage of special package[127] based on the representations received from the associations. The Company leased (September 2020) out the quarters to JSW Steel Limited, which had its integrated steel plant nearby BTPS, at a lease rent of ₹ 38.54 lakh per month.

In this connection, Audit made (March 2019/January 2021) the following observations:

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[123] BTPS has three units, 2x500 MW and 1x700 MW commissioned in October 2007/January 2012 and September 2016 respectively.

[124] Situated at Kudithini village of Bellary District which is 25 kilometres away from Bellary Town.

[125] Comprising 594 quarters (18 tenements of A2 type residential buildings, 12 blocks of Type B and 12 blocks of Type C quarters - each block containing 24 tenements), VIP Guest House (12 suits), Corporate Guest House (24 rooms) and Non-Corporate Guest House (24 rooms).

[126] HRA at the rates applicable to Bangalore city, special package of ₹ 3,000 per month and free transport facility.

[127] The Company decided to pay special package at reduced rates of ₹ 770 per month with effect from February 2020.

i. The Board while taking decision (January 2010) to construct quarters did not deliberate the representations (January 2009 and June 2009) of employees' associations[128] of the Company which had objected to building quarters nearer to the power plant citing reasons such as, lack of education facilities to the children, health hazards due to air and noise pollution, safety concerns, *etc*. However, these concerns were discussed subsequently in a meeting held (April 2010) with the Managing Director, and conveyed to the associations that there was utmost necessity of employees residing closer to the project site for operation of the thermal plant and also stated that the selected location of quarters was conducive for living.

ii. Even after completion of quarters, the employees refused (February 2018) to occupy the quarters on the same grounds (lack of education facilities to the children, health hazards due to air and noise pollution, safety concerns, *etc.*) raised at the proposal stage of quarters. The Company having decided to construct the quarters stating that it was an utmost necessity, failed to address the concerns of employees and to persuade them to occupy the quarters built at significant capital investment of ₹ 118.46 crore. Further, the Company continued to incur recurring expenditure of ₹ 7.20 crore[129] per annum on free transportation and HRA, despite availability of quarters.

iii. The Company, belatedly after more than a year of refusal (February 2018) by the employees to occupy the quarters, explored (May 2019) the option of leasing out the quarters. Responding to the proposal, JSW Steel Limited expressed (July 2019) interest in taking over the existing facilities on rent or lease basis. However, the Company finalised the lease agreement with JSW Steel Limited only in September 2020, after fourteen months from the date of receipt of its consent, thereby losing the potential lease rental. After considering reasonable period of six months' time for negotiation and finalising the agreement, the Company had lost the opportunity of realising lease rent of ₹ 3.08 crore during January 2020 to August 2020.

The Government replied (August 2021) that the delay in concluding the agreement with JSW was due to negotiation on lease rent and nation-wide lockdown imposed during March 2020 on account of Covid 19 pandemic. Further, it was replied that, even if employees were residing in the quarters, ₹ 2.92 crore was to be incurred inevitably towards conveyance of Executive Engineer (EE) and above cadre for attending to emergency works. Considering this, actual recurring cost works out to ₹ 4.28 crore against ₹ 7.20 crore worked out by audit, and hence there would be saving of ₹ 0.34 crore, taking into account annual lease rental of ₹ 4.62 crore. It was also stated that 96 flats were

[128] KPC Graduate Engineers Association, KPC Mechanical Engineers Association and KPC Diploma Engineers Association of BTPS Region.

[129] Included annual HRA of ₹ 2.83 crore calculated based on the amount paid to employees during 2017-19 and actual transportation cost of ₹ 4.37 crore incurred during 2019-20. Payment of special package is not considered for recurring cost as it was paid to encourage employees to work in the power plant.

allotted to Karnataka State Industrial Security Force (KSISF), thereby the Company has partly met the purpose of construction of quarters.

The contention that nation-wide lockdown and negotiation of lease rent led to delay in finalising the agreement is not acceptable, as JSW conveyed its willingness to occupy quarters as early as July 2019, *i.e.* seven months prior to nation-wide lockdown. Secondly, the conveyance charges even for EE and above cadre for attending to emergencies could have been much lesser if the employees were residing in quarters, as the employees at present were transported from Bellary Town (25 km away from project). The Company while arriving at savings of ₹ 0.34 crore did not consider expenditure of ₹ 2.83 crore on HRA, there would be loss of ₹ 2.49 crore. Thirdly, though 96 out of 594 quarters (16 *per cent*) were allotted to KSISF, the fact remained that larger objective of accommodating the employees nearer to the project area for operation of the plant was not achieved.

As the Company depended largely on borrowed funds for its operations and in view of the apprehensiveness of employees occupying the quarters, investment of significant funds (₹ 118.46 crore) lacked justification.

Audit recommends that the Company while making decisions on all such capital intensive projects may ensure to consider the necessity and factors influencing such decisions.

The management stated (February 2022) that the recommendations made by Audit have been noted and will be taken care of in future.

Bangalore Electricity Supply Company Limited

2.2. Amendment of pre-qualification criteria in the tender to favour a contractor

Amendment of pre-qualification criteria in the tender curtailed the competitive bidding and award of contract at higher rates regarding procurement of LT Aerial Bunched cables at an additional expenditure of ₹ 65.34 crore.

Bangalore Electricity Supply Company Limited (the Company), which involved in distribution of electricity in the State, procures various materials through tendering, *viz*. Aerial Bunched (AB) cables, Underground (UG) cables, Transformers, Conductors, Poles, Insulators, *etc* for carrying out its capital and operation and maintenance works (construction of substations and lines, strengthening of existing distribution network, service connections, *etc*). The Board of Directors of the Company/the Central Purchase Committee[130] (CPC) was the authority for approving the tenders and award of contracts.

The Company procured a total of 3,731 KMs of Low Tension (LT) Aerial Bunch (AB) Cables valued at ₹ 173.16 crore[131] during the period 2014-15 to

[130] CPC, constituted (August 2016) to bring about uniformity in pre-qualification criteria on material purchase by ESCOMs, has its members (Managing Directors and Directors Technical) from all the five ESCOMs.

[131] [50 KMs × ₹ 3.22 lakh (Tender. BCN-67/2014-15)] + [700 KMs × ₹ 4.10 lakh (Tender. BCP 846/2014-15)] + [2,981 KMs × ₹ 4.80 lakh/₹ 4.76 lakh (Tender. BCP-1040/2017-18)].

2019-20 for capital works. The Company also implemented Integrated Power Development Scheme (IPDS) a contract with LT AB cables as one of the components of work during the same period. Audit scrutinized the tendering and procurement of LT AB cables during the above period and observed that the prequalification requirements of the bidders in the two tenders were amended as discussed below.

The Company floated two tenders as indicated in the table below:

Table No.2.2.1: Details of tenders on procurement of LT AB cable

Sl. No.	Tender I	Tender II
1	No. BCP-846/2014-15/ February 2015	BCP-1040/2017-18/September 2017
2	Quantity: 700 KMs	Quantity: 2,981 KMs
3	Contractor: M/s.SBEE Cables (India) Ltd, Bangalore	Contractor: M/s.SBEE Cables (India) Ltd, Bangalore
4	Award price: ₹ 4.10 lakh/KM	Award price: ₹ 4.80 lakh /₹ 4.76 lakh/KM
5	Total contract price: ₹ 28.70 crore	Total contract price: ₹ 142.85 crore

Audit observed that the tenders for procuring other materials (other than LT AB cables, *i.e.* ACSR Conductor, Transformers, UG cables, *etc*) had a condition that *'bidders should have obtained orders from any ESCOMs of Karnataka / any electrical utilities in India at least 50 per cent of tendered quantity'*. However, this condition was modified by removing '*any electrical utilities in India'*. This modification of condition restricted majority of the bidders from participating in the tenders who had not supplied to ESCOMs in Karnataka. However, this suited the lone bidder (M/s.SBEE Cables (India) Ltd) who had supplied LT AB cable to BESCOM/HESCOM in the previous years. These amendments resulted in undue favour to a single firm, hence, purpose of tendering was not met. The amendment in tender condition was approved (September 2015/July 2017) by the Board of Directors/Central Purchase Committee resulted in undue favour to a single firm.

Audit observed that there were other suppliers[132] in the market who could supply LT AB cables at cheaper rates, the prevailing market rate per KM was ₹ 2.40 lakh[133] during 2017-18 and 2018-19. These contracts were awarded to other suppliers other than M/s.SBEE Cables (India) Ltd. The restrictive tender clause on pre-qualification requirement curtailed the competitive bidding which led to procurement of material at much higher rates (*i.e.* 100 *per cent*) than that prevailed in the market. The Company procured 2,981 KMs of LT AB cable SBEE Cables (India) Ltd, Bangalore at the quoted rate of ₹ 4.80 lakh/₹ 4.76 lakh per KM, as against the prevailing market rates of ₹ 2.40 lakh per KM. Considering the prevailing market rates, the Company incurred an additional expenditure of ₹ 65.34 crore[134] on procurement of 2,981 KMs of LT AB Cable against the Tender No. BCP-1040/2017-18[135].

[132] M/s. Paramount Communications, M/s. Gujarath, Apar Industries, M/s. Gujarath, Laser Power & Infra Pvt. Ltd, M/s. Howrah, Dynamic Cables, Jaipur, M/s. Insucon Cables & Conductors (P) Ltd, M/s. Jaipur and Alpha Communications Ltd., Ghaziabad, *etc*.

[133] This rate represents the cost of procurement of LT AB cable by the contractors from various manufacturers for the works executed under IPDS during 2017-18 and 2018-19.

[134] 2,385 KMs × ₹ 2.19 lakh + 596 KMs × ₹ 2.20 lakh (extra cost per KMs represents difference between quoted and market rate after considering tender premium of 8.62 *per cent*).

[135] Additional expenditure in the previous Tender no. BCP-846/2014-15 has not been quantified in the absence of prevailing market rates.

The Government replied (January 2022) that the prequalification criteria were finalised by the Central Purchase Committee in its meeting held on 22 June 2017 for more participation of bidders. It was further stated that the prices quoted by the bidder in total turnkey contracts *vis-a vis* an absolute supply contract are not comparable. The basis for prevailing market rate of ₹ 2.40 lakh per km considered by audit is not forthcoming.

The reply is not acceptable as the amendment in prequalification criteria did not result in more participation as intended, instead it facilitated the restrictive participation by a single bidder. The prevailing market rate of ₹ 2.40 lakh per km considered by audit represents the cost of procurement of LT AB cable by the contractors from various manufacturers for the works executed under IPDS during 2017-18 and 2018-19. The rate at which contract was awarded by BESCOM (₹ 4.80 lakh per km) was two times of the prevailing market rate. Moreover, the Company had no means to ensure that the rates quoted by SBEE Cables (India) Ltd were competitive in the absence of wider participation.

Audit recommends that the Company should standardise the pre-qualification criteria of the bidders for procurement of materials to ensure wider participation in the tenders. Any relaxation in the criteria should be made with due justification only after approval of the competent authority

Mysore Sales International Limited

2.3. Construction of Karnataka Bhavan – idle investment and loss of revenue

Lapses on the part of the Company in execution and operation of Karnataka Bhavan at Navi Mumbai resulted in non-achievement of stated objective, time and cost overruns, idle investment of ₹ 36.89 crore and loss of revenue of ₹ 1.31 crore.

The City Industrial Development Corporation Limited (CIDCO), Government of Maharashtra granted lease (June 2000) of 2,520 square metres at Vashi, Navi Mumbai to the Government of Karnataka (GoK) for constructing a State Guest House (Karnataka Bhavan), with a maximum permissible floor space index (FSI) of 1.0. GoK entrusted (March 2005/June 2006) the work for construction of Karnataka Bhavan to Mysore Sales International Limited (the Company).

The Company, after inviting tender, awarded (March 2008) the contract for construction of Karnataka Bhavan to M/s Klassic Constructions Pvt Ltd at a cost of ₹ 18.18 crore to be completed by May 2009. However, the construction was stopped midway after incurring an expenditure of ₹ 7.19 crore (37 *per cent* completed), as the Company decided (March 2010) to modify the design of the building to accommodate a star category guest house with FSI of 1.5, in view of the developments in the vicinity of Karnataka Bhavan[136]. Navi Mumbai

[136] International Exhibition Centre, proposed International Airport at Vashi

Municipal Corporation (NMMC), however, rejected (February 2011) the request of the Company for sanctioning additional FSI of 0.5.

The Company thereafter revised the estimate of the balance work of ₹ 12.07 crore[137] to ₹ 22.55 crore with FSI of 1.0 and a fresh work order for resumption of work was issued in December 2013 (after lapse of 34 months of rejection by NMMC) to the same contractor (M/s. Klassic Constructions Pvt Ltd) to be completed by October 2014. However, the work was completed in March 2018 at a total cost of ₹ 36.89 crore[138]. Thus, the project was completed after 18 years of allotment of plot by CIDCO.

The Committee on Public Undertakings (COPU) after *suo motu* reviewing the project implementation, recommended (October 2013) *inter-alia* fixing responsibility on the officers concerned for revising the designs with higher FSI without any justified reasons and without approvals from appropriate authority, and to complete the construction as per the prevailing norms at minimum cost.

Audit reviewed the operations of Karnataka Bhavan after its physical completion, observations are given below:

The Company, after inviting (July 2018) request for proposal, entered (September 2018) into a Lease and License Agreement with M/s. Athitheya Kshema Hotels Pvt. Ltd (Licensee), Bangalore (the Licensee) for operation and maintenance of Karnataka Bhavan for a lease period of 15 years. The agreement stipulated payment of monthly lease rental of ₹ 16.39 lakh by the Licensee with a provision to enhance the rent annually by 5 *per cent*. The Company handed over the possession of the building to the Licensee in February 2019 with a communication that the moratorium period of four months would commence from 1 April 2019.

Audit observed that the moratorium period was extended twice, upto December 2019 initially and then to April 2020, based on the request of the Licensee for completion of interior works[139] of the building. Despite breach of terms of the lease agreement, the Company did not exercise the option of terminating the agreement (*Clause 3 & 3.1*) upon three months' notice to the Licensee. Instead, moratorium period was extended by nine months (August 2019 to April 2020) beyond the stipulated period without payment of lease rent for the extended period. Thereby, the Licensee was given advantage, as the Company lost the lease rent of ₹ 1.31 crore[140] receivable as per the lease agreement during the extended moratorium period between August 2019 and April 2020. Besides,

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[137] Original awarded cost of ₹ 18.18 crore *less* work done ₹ 7.19 crore plus additional work of ₹ 1.08 crore.

[138] Included Cost of land (₹ 76.90 lakh), Additional lease premium (₹ 1.66 crore) and Construction cost of ₹ 34.45 crore (including Architect fee, Project Management Consultancy, *etc*).

[139] As per the Lease and License agreement, the Licensee was allowed to carry out the work of renovation in the premises including installation of furniture, fittings, equipments and appliances for business purpose.

[140] At the rate of ₹ 16.39 lakh per month from August 2019 to March 2020. Loss is restricted upto March 2020, due to pandemic.

the Company had to incur avoidable recurring charges (₹ 46.54 lakh[141]) on electricity charges, *etc* which otherwise should have been borne by the Licensee as per the agreement (*Clause* 5.2). The Licensee had sought for further extension of moratorium upto May 2021[142], the decision on this was pending as on June 2021.

The Company failed both at the execution stage and operation stage of the project, whereby the project completion was delayed by nine years (May 2009 to March 2018) from the scheduled date as per the contract entered (March 2008) into with M/s. Klassic Constructions Pvt Ltd, owing to stoppage of work midway and revision in designs with FSI of 1.5 without prior approval of NMMC. The delay resulted in cost escalation including avoidable payment of compensation of ₹ 1.95 crore to the contractor. Further, the Company lost lease rent of ₹ 1.31 crore due to extension of moratorium beyond the period specified in the lease agreement. The Company is also likely to lose further lease rent of ₹ 1.97 crore during June 2020 to May 2021[143], as the Licensee had sought further extension of moratorium upto May 2021.

Thus, the entire investment of ₹ 36.89 crore remained idle without any return for the last 39 months since its completion (March 2018), as the operations had not been commenced (June 2021). Besides, the stated objective of Karnataka Bhavan, *viz*. providing guest rooms, centre for holding social and cultural activities, art gallery, exhibition centre, outlets for promotion of speciality foods of Karnataka, display of products of Karnataka, *etc* has not been achieved even after 21 years of acquiring the plot in June 2000.

The Government replied (December 2021) that the payment of compensation of ₹ 1.95 crore to contractor is for bonafide reasons and not intentional. The procedural wrangles had caused the delay. The Board of Directors took decision (September 2021) to collect the rent with effect from January 2022 and also to collect the entire arrears of rent with interest from lessee in a phased manner at ₹ 4.00 lakh every month in addition to the regular rent payable from the lessee.

The fact remains that modifying the design midway and stopping work without approval of NMCC caused unwarranted delays in completion of the project. The recovery of arrears as decided by the Board would be subject to consent from the lessee.

Audit recommends that the Company should institute an adequate control mechanism to monitor the project implementation and its operation and maintenance with reference to the terms of contract. The Company may take immediate action to either collect the legitimate lease rental from the Licensee or terminate the lease as per the provisions of lease agreement and retender, so as to avoid further loss of revenue. The Company may also take action to fix the responsibility on the officers concerned for lapses as recommended by COPU.

[141] Represents actual amount paid by the Company on security and electricity for October 2018 to October 2019. Agreement is silent on security charges, yet company paid ₹ 25.59 lakh.

[142] Source: Audit Committee meeting held in November 2020 and meeting of Board of Directors held in March 2021.

[143] April 2020 and May 2020 was not considered due to nation-wide lockdown.

Mysore Sales International Limited

2.4. Infructuous expenditure

Launching of a new product under the brand name '*Soundarya*' without assessing its demand in the market and violation of various statutory provisions and contract agreement had rendered an expenditure of ₹ 68.88 lakh infructuous.

Mysore Sales International Limited[144] (the Company), with a view to strengthen its product line, envisaged (July 2016) introduction of herbal soaps and other personal care products under its own brand name, *viz*. '*Soundarya'*. In line with the said decision, the Managing Director of the Company directed (September 2016) its Consumer Product Division to carryout a study for the product demand in the market by employing a professional agency. The Company, after conducting random survey among its employees and clients by distributing the samples of herbal products[145], invited (October 2016) a tender on item rate basis for manufacture and supply of herbal body soaps (10 variants), herbal body wash, face wash and herbal shampoo (three variants) to be launched in the market under its brand '*Soundarya'*.

After holding price negotiation, letters of award were issued (January 2017) to the two lowest bidders, *viz*. M/s. Vinod Kumar & Brothers Private Limited (M/s. VKBPL) for supply of herbal soap (10 variants) and body and face wash (two variants) and M/s. Matxin Labs Private Limited (M/s. MLPL) for supply of three variants of shampoos[146].

Subsequently, in April 2017, the Company decided to procure 21 additional variants (transparent body soaps and other personal care products), which were not part of the tender. Accordingly, the Company entered (May 2017) into an agreement with M/s. VKBPL for manufacture and supply of 33 variants (including 21 additional variants) and issued (May 2017) a purchase order for ₹ 2 crore to that effect.

Further, the Company placed (January 2018) an indent for initial supply of 19 variants valued at ₹ 60.32 lakh out of 33 variants for which purchase order was issued to M/s. VKBPL. Against which, M/s. VKBPL supplied (July 2018) the products worth ₹ 39.53 lakh. The Company, out of the supplies made by M/s. VKBPL, had distributed the products worth ₹ 9.97 lakh as sales promotion and sold ₹ 1.89 lakh worth of products before expiry of their shelf life (May/June 2019). The balance stock valued at ₹ 27.67 lakh remained unsold and their shelf life stood expired.

In this connection, Audit (February 2021) made the following observations:

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[144] The Company, a State Government public sector undertaking, is a marketing organization dealing with various products and services (Chit fund, beverages, paper, consumer products, *etc*).

[145] The Company spent ₹ 9.47 lakh towards developing product formula and advertisement.

[146] The Company did not pursue the letter of intent issued to M/s. MLPL, without any reasons on record.

i. The Company, before inviting tender, did only a random survey among its employees and clients by distributing the samples of herbal products, instead of conducting market study as directed by the MD, which would have given a better picture of its demand. It was observed that out of the supplies made by M/s. VKBPL, the Company had distributed the products worth ₹ 9.97 lakh as sales promotion and sold only ₹ 1.89 lakh worth of products before expiry of their shelf life (May/June 2019);

ii. As per the Rule 12 (3) of KTPP Rules, 2000, security deposit was to be taken from the successful tenderer as a guarantee of the tenderer's performance of the contract. However, there was no evidence on record for having collected the security deposit from the successful bidders as a guarantee for the contract performance, thus violating the said rules. In the absence of any security, the Company had left with no means to recover the loss/damages from the supplier although the supplier defaulted in supply, M/s. VKBPL supplied the products worth ₹ 25.30 lakh against the indent of 19 variants valued at ₹ 60.32 lakh;

iii. As per the agreement, payment by the Company was to be made to the supplier on the 31st day from the date of delivery at the godowns of the Company. However, the Company, in violation of agreement, released (May/June 2017) an advance of ₹ 50 lakh equivalent to 25 *per cent* of the ordered value against the security of post-dated cheques and an additional amount of ₹ 21.27 lakh to meet the cost of mould, dyes and design/plate. Further, release of advance against post-dated cheques in place of bank guarantee was in deviation from the General Financial Rules and the conditions of standard tender document[147] issued by the Government of Karnataka. Release of advance without obtaining bank guarantee was also in violation of guidelines issued (February 2011) by the Central Vigilance Commission;

iv. M/s. VKBPL supplied (*vide* invoice dated 18 July 2018) the products worth ₹ 39.53 lakh which included the products valued at ₹ 14.23 lakh not indented[148] by the Company. Audit observed that the Company on 25 October 2018 informed M/s. VKBPL regarding supply of non-indented products, to which the supplier responded in negative stating that such discrepancies should have been brought to notice within seven days of delivery of products as per *Clause 11* of the agreement. As the Company informed the supplier about the supply of non-indented products after lapse of 99 days against seven days from the date of taking delivery of products, it had incurred loss of ₹ 14.23 lakh. On the other hand, the Company could not sell these products in the market;

[147] *Clause* 42 of KW-4 stipulated that the employer shall make payment to the contractor against an unconditional bank guarantee in a form acceptable to the employer issued by a Nationalized/Scheduled Bank in amounts equal to the advance payment. The guarantee shall remain effective until the advance payment has been repaid.

[148] Soudarya orange soap 75 gm, Soundarya transparent soap (lemon), Soundarya baby soap (berberries and calendula), Soundarya hand wash (antibacterial).

v. The Company did not invoke the provisions of the agreement[149] to levy penalty for non-supply of balance indented products valued at ₹ 24.70 lakh[150] (out of ₹ 60.32 lakh indented) immediately after lapse of 30 days from the date of indent allowed for supply. To a legal notice served in July 2020 for non-supply of indented products, *i.e.* after lapse of two years of supply, the supplier denied (August 2020/September 2020) charges levelled in the notice stating that the supplies were made as per the terms and also issued 'stop payment' instructions to their bankers against the post-dated cheques given as security. The Company, however, did not initiate any further action to counter the supplier's stand. Evidently, the Company could not safeguard its financial interest in the absence of the bank guarantee.

The Government replied (August 2021) that:

- a detailed market survey was conducted by the Company in Karnataka, Delhi and Mumbai where it had branches and the result was very good.
- advance payment against post-dated cheques was released upon a special request by the supplier as he had invested huge funds on production of items. Further, bank guarantee was not collected at that time since it was only on test marketing basis.
- based on the direction of the Minister for Commerce and Industries Department, launching of Soundarya soap by the Company was kept in abeyance in view of Karnataka Soaps and Detergents Limited (KS&DL) was involved in manufacturing and marketing soap products.

The reply is not acceptable. There were no survey reports available on record to justify that detailed survey was conducted except a random survey among its employees and clients. There was nothing on record in support of the fact that response to the product was good.

Advance payment was in violation of conditions of agreement. Moreover, there was no specific exemption to release advance against post-dated cheques for test marketing purpose. The Company failed to safeguard its financial interest by not obtaining bank guarantees before releasing advance. It was a known fact that KS&DL was an existing Government enterprise which was set up for manufacture and marketing soap products. Hence, launching of soap under its brand 'Soundarya' without considering this fact was not justified.

Thus, the Company failed to ascertain the product demand in the market prior to its launch, violated various statutory provisions and terms of agreement by awarding the contract without obtaining performance guarantee, releasing advance to the supplier without valid security, and not levying penalty for

[149] *Clause* 15 (c) of the agreement stipulated levy of penalty at the prevailing bank interest rate on the value of shortfall in supplies after expiry of 30 days from the date of indent.
[150] Advance paid to supplier (₹ 50 lakh) *less* value of supplies (₹ 25.30 lakh) after adjusting non-indented supplies of ₹ 14.23 lakh.

default of supplies. These lapses had rendered the expenditure of ₹ 68.88 lakh[151] infructuous.

Audit recommends that the Company may conduct proper market survey before venturing into new line of business and ensure compliance to statutory requirements and provisions of agreements on advance payment to the contractors to protect the financial interests of the Company.

Karnataka Soaps and Detergents Limited

2.5. Extra expenditure

The decision of the Company for purchase of Pleat Wrapping Machine at a higher price from a sole manufacturer/supplier on the grounds of reduced operating speed resulted in avoidable excess expenditure of ₹ 1.08 crore.

Karnataka Soaps and Detergents Limited (Company) was a manufacturer of personal care products[152] including Mysore Sandal Soaps. The Company, hitherto, was undertaking the process of wrapping of bath soaps through manual operation using hand wrapping machines. As the demand for the product had increased and in order to reduce manpower, the Company decided to mechanise the process of pleat wrapping by procuring automatic pleat wrapping machine. The Board of Directors (Board) of the Company accorded approval (September 2016) for procuring an automatic Pleat Wrapping Machine. The Board, while approving the proposal, noted that the Company made inquiries with the vendors who deal with pleat wrapping machines and found that M/s. Bakubai Ambalal, Mumbai (a division of M/s Oriental Enterprises Private Limited) was the sole dealer who deals with the pleat wrapping machines in India manufactured by M/s. Sasmariani Tommasso, Italy (previously owned by M/s. Guerez, Italy).

The technical specifications of the machine including operating speed (150 pleat wraps per minute) was finalised keeping in view the brand of the machine manufactured by M/s. Sasmariani Tommasso, Italy. The Company invited tenders (five times between November 2016 and March 2017), for supplying Pleat Wrapping Machine with operating speed of 150 pleat wraps per minute. The five tenders, (except fourth call), were not considered as they were single bids, *viz*. M/s. Oriental Enterprises Private Limited (M/s. OEPL). There were no reasons on record for not considering the bid of M/s OEPL in the previous four tenders, in spite of noting the fact that M/s OEPL was the only dealer for supplying the pleat wrapping machine manufactured by M/s. Sasmariani Tommasso, Italy.

In the sixth tender call invited during May 2017, M/s. OEPL was again the sole bidder (*vide* offer letter dated 29 May 2017). This time, the Company negotiated and placed (11 September 2017) the purchase order on M/s. OEPL

[151] Total advance paid to supplier (₹ 50 lakh) *less* value of supplies including non-indented products (₹ 39.53 lakh) *plus* expired stock (₹ 27.67 lakh) *plus* expenditure on developing product formula, advertisement and cost of mould, dyes and design/plate (₹ 30.74 lakh).

[152] Detergents, Fragrances, Talcum powder, Hand washes, Face washes, Coconut oil, *etc*.

at a price of ₹ 2.90 crore. The Company also released the advance of ₹ 87.08 lakh (30 *per cent* of the cost) on 19 October 2017. Subsequently, M/s. OEPL informed (December 2017/February 2018) the Company that the machine proposed to be supplied (Model PL-150) could achieve the operating speed of 120 pleat wraps per minute (against the specified 150 pleat wraps per minute) for the soap samples supplied by the Company. The firm also informed that machine could achieve specified operating speed of 150 pleat wraps per minute for 'banded' soaps. Therefore, M/s. OEPL requested the Price Negotiation Committee (PNC) of the Company to amend the purchase order dated 11 September 2017 changing the specification of machine as 120 pleat wraps per minute. As the required operating speed was not met, the Price Negotiation Committee of the Company headed by Deputy General Manager (P&M) discussed on 3 March 2018 the request (February 2018) of the supplier for amending the purchase order did not agree but decided to cancel the purchase order and to go for fresh tender.

Audit observed (May 2020) that the tender specifications did not mention the type of the soap (banded or bandless), it only specified product size in terms of diameter and thickness. Further, the offer letter dated 29 May 2017 of M/s OEPL against the sixth tender had mentioned that the Model PL-150 pleat wrapper was designed to wrap around 150 round and oval side 'banded' tablets (soaps). It was not clear from the records made available to audit that whether the technical parameters with regard to type of soap mentioned in the offer letter were considered before accepting the bid.

Moreover, PNC's decision to reject the request of M/s OEPL to amend the purchase order to facilitate supply of machine with reduced operating speed (120 pleat wraps per minute) was not judicious, as there was no alternative source of supply, the fact of which was noted by the Board and was also evident from the single bids received in the previous four tenders. Furthermore, the Company had subsequently issued (February 2019) fresh work order on M/s. OEPL for procuring the same machine with 120 pleat wraps per minute at a cost of ₹ 3.98 crore, higher by ₹ 1.08 crore over the previous purchase order placed. It clearly indicated that the Company had no objection in purchasing the machine with reduced operating speed of 120 pleat wraps per minute and hence the decision to reject earlier offer of M/s. OEPL (December 2017/February 2018) was not justified, which resulted in unwarranted extra expenditure of ₹ 1.08 crore, due to time overrun.

An advance of ₹ 96.05 lakh was also released (November 2019) to M/s. OEPL as per the terms of work order and the balance was to be released after commissioning. M/s. OEPL delivered the machine in February 2020, against the scheduled date of November 2019. The penalty of ₹ 19.90 lakh[153] for the delay at the rate of five *per cent* of the contract value had not been levied. Further, the machine has not been put into use yet, the Company was still in the process of commissioning the machine (September 2021).

The Government replied (December 2021) that Price Negotiation Committee, after receiving confirmation from M/s. OEPL that their principal supplier (original manufacturer) was not able to increase the speed from 120 pleat wraps

[153] Contract value of ₹ 3.98 crore × 5 *per cent*

per minute to 150 pleat wraps per minute, decided to cancel the purchase order (September 2017) and to go for fresh tender. With regard to type of soap, it was stated (August 2021) that the samples of soap for which pleat wrapping was required were made available to M/s OEPL during technical presentation. It was also stated (September 2021) that the machine has not met the required production capacity during trial run carried out in April 2021 and M/s. OEPL was in the process of rectifying the same.

The reply is not acceptable. The Company was aware that there was single source of supply in the global market. In spite of this, the Company rejected the offer of M/s OEPL for supply of the machine with 120 pleat wraps per minute through an amendment of the existing purchase order (11 September 2017) and procuring the same machine subsequently from the same supplier (M/s OEPL) at higher price was not justified. Though the samples of soap were stated to have been given to M/s. OEPL during technical presentation, the fact remained that the Company failed to ensure that the machine had achieved the required operating speed before accepting the bid.

Though the Company incurred an excess expenditure of ₹ 1.08 crore, yet the objective of reducing the manpower by automation of wrapping process had also not been achieved even after lapse of more than five years since its conception (2016 to 2021). Further, the amount of ₹ 96.05 lakh paid to M/s. OEPL as advance also remained unproductive as the machine has not been put to use since February 2020.

Audit recommends fixing of responsibility on the price negotiation committee whose decision led to procurement of pleat wrapping machine at higher price.

Mangalore Electricity Supply Company Limited

2.6. Undue favour to a contractor

The decision of the Company to bear the service tax liability which was in contravention to the tender conditions resulted in extension of undue favour to the contractor by ₹ 97.46 lakh

Mangalore Electricity Supply Company Limited[154] (the Company) invited tender (May 2013) for construction of Corporate Office at Mangalore at an estimated cost of ₹ 12.36 crore. As per the conditions of the tender[155], all duties, taxes and other levies payable were to be included in the tender and the rates quoted by the contractor were deemed to be inclusive of sales tax and other taxes payable for the performance of the contract. No extra payment on this account was allowed to the contractor. The Company also clarified in the pre-bid meeting (July 2013), to a query on recovery of service tax, that all taxes as per the prevailing orders of the Government/the Company were deductible from the bills.

The work was awarded (October 2013) to the lowest bidder, *viz*. Sri Prabhakar Yeyyadi (the Contractor) at his quoted rate of ₹ 13.71 crore, revised to ₹ 18.53

[154] A State Electricity Distribution Company.

[155] *Clause 11.3* of Instructions to tenderers, *Clause 39.1* of Conditions of Contract, *Clause 9* and *Clause 10.2* of Additional conditions/guidelines to bidders.

crore after entrusting (May 2015/July 2015) certain additional works[156]. The work was completed in February 2017 at a total cost of ₹ 18.43 crore.

The total cost of ₹ 18.43 crore included service tax of ₹ 97.46 lakh paid to the contractor. The payment of service tax was made based on the request (February 2015) of the contractor that the estimated cost put to tender did not include service tax component. The Executive Engineer (EE-Civil) of the Company, while proposing the request of the contractor, mentioned (February/March 2015) that the estimate put to tender did not include service tax, the contractor informed that his quote was not inclusive of service tax and that no specific clarification was given with regard to service tax while inviting tenders. This proposal was recommended by the Controller of Accounts (Internal Audit) and approved (April/September 2015) by the Managing Director of the Company.

Audit observed that the proposal of EE (Civil) that no clarification was given with regard to service tax while inviting tender was factually incorrect, as the Company during pre-bid meeting (July 2013), where the Contractor was also present, furnished specific clarification. This aspect was not mentioned in the proposals of EE (Civil)/Controller of Accounts (Internal Audit). Further, the contention that the estimate put to tender did not include service tax was not relevant, as the contractor was required to quote his offer inclusive of all taxes, as per the conditions of contract (*Clause 11.3* of Instructions to Tenderers and *Clause 39.1* of Conditions of Contract). Moreover, as per the Special Conditions of Contract, the Company had an option to refer the matter to the arbitrator in case of dispute or differences arising between the Company and the Contractor. However, the Company did not exercise this option.

The Government replied (January 2022) that service tax was not considered while preparing estimate and evaluation of tenders. In the pre-bid meeting, it was clarified that all taxes would be recovered from the bills as per prevailing orders at the time of tender, and there was no specific mention about service tax. 'All taxes' means, VAT, labour cess, EPF, ESI, *etc*. but not service tax.

The Company's contention is not acceptable. It was immaterial that the estimate was not inclusive of service tax, as the tender conditions stipulated that "all duties, taxes, and other levies payable by the contractor under the contract or for any other cause, shall be included in the rates, prices and total tender price submitted by the tenderer". Also, the Company clarified on recovery of service tax in the pre-bid meeting. Moreover, tender document did not define that 'All taxes' does not include service tax, as contended in the reply.

Therefore, the decision of the Company to bear the service tax liability on the ground that the estimate put to tender did not include service tax and no clarification was given at the time of inviting tender resulted in violation of tender conditions and extension of undue favour to the contractor by ₹ 97.46 lakh.

Audit recommends fixing responsibility on the personnel concerned for not apprising the management of pre-bid clarification with regard to recovery of service tax.

[156] Construction of additional floor, compound wall, formation road, *etc*

Karnataka Road Development Corporation Limited

2.7. Undue benefit to contractors

The Authority paid early completion bonus of ₹ 63.63 crore to the Concessionaires in contravention of provisions of the Concession Agreements.

The Karnataka Road Development Corporation Limited (Authority) and three Concessionaires[157] signed (December 2015) three Concession Agreements (CA) for development of 180.59 km to two-lane standard[158] in 730 days. Article 28.1 of the CA provided for payment of early completion bonus (ECB[159]) to the concessionaires only after completion of the total project highway**.** As per the Article 15.1 of CA, the Two Laning Standard[160] shall be deemed to be complete when the Completion Certification (CC) or Provisional Certificate (PC) is issued by the Independent Engineer and the date of issue of CC or PC shall be the Commercial Operation Date (COD) subject to fulfilment of conditions laid down in Schedule 'I' & 'L' i.e., Road Safety Audit and tests conducted by third party bud did not provide for ECB on partly completed work.

The KRDCL paid ECB of ₹ 63.63 crore to the Concessionaires based on IE's recommendation that the COD was achieved six months prior to TLSD. The details of road length entrusted, due date for completion to get bonus, date of issue of PC, effective date of COD considered, bonus paid etc., are shown in the Table.

Table No. 2.7.1: Details of roads considered for payment of bonus

Package No	Total road length in Km	Name of the concessionaire	Two – laning Standard Date (TLSD)	Due date of completion for becoming eligible for bonus	Date of issue of PC by IE for partial completion	COD considered/ Effective date of PC as certified by IE	Road length certified by IE as completed as per PC (in Km)	Bonus equivalent to one Annuity amount paid (₹ in crore)
WCP-3	73.69	M/s – DBL Hassan Periyapatna Tollways Ltd	28/9/2018	28/03/2018	06/04/2018	28/02/2018	71.94	26.28
WCP-5	55.693	M/s – DBL HirekerurRani bennur Tollways Ltd	29/9/2018	29/03/2018	30/03/2018	24/02/2018	50.071	19.62
WCP-6	51.206	M/s – DBL Mundaragi Hunugund Tollways Ltd	28/9/2018	28/03/2018	31/03/2018	05/02/2018	45.43	17.73
Total	**180.589**						**167.441**	**63.63**

Scrutiny of records revealed that the conditions prescribed in the CA for early completion were not fulfilled and bonus paid was irregular for the following reasons:

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157 M/s.DBL Hassan Periyapatna Tollways Ltd, M/s DBL Hirekerur Ranibennur Tollways Ltd and M/s DBL Mundaragi Hunugund Tollways Ltd.

158 Low volume traffic highways.

159 Bonus is equal to one annuity instalment when project is completed before six months or more prior to Two Laning Standard Date.

160 The construction and completion of all works included in or constituting a Two-Lane Standard Project Highway.

- In case, the Scheduled TLSD was to be proposed to be completed by the Concessionaires earlier than the milestones fixed (Schedule 'G'), the Concessionaires should notify revised milestones for approval by the Authority duly recommended by the IEs for (i) arranging to conduct tests (ii) appointment of consultants for undertaking Safety Audit of the project highways (iii) initiating tender process for levy of toll from the approved revised date of completion. Audit noticed that the milestones were not revised. Thus, the need for conducting tests and appointing consultants by the Authority for undertaking Safety Audit with reference to the revised completion date did not arise.
- The date of issue of PC shall be the COD of the project. However, in all these cases, PCs were proposed by IEs by declaring project highways provisionally fit for entering into commercial operation for prior dates instead of on the actual date of issue of PC[161]. Moreover, the Authority too approved the PCs and made them valid retrospectively by accepting prior dated CODs which were proposed by the IEs. This was clearly a violation of the CA provisions.
- Had the Concessionaires submitted the revised milestones and got it approved by the Authority, the Safety Audit and tests specified could have been planned and completed for issue of PC before six months i.e., before the due date eligible for receiving bonus. If that had been the case, reckoning COD with retrospective date would not have arisen. Hence, Audit is of the view that the criteria was changed only to facilitate payment of bonus.
- None of the articles of the CA provided for payment of bonus for provisionally completed projects. The article governing payment of bonus (Article 28.1) clearly specifies that bonus would be paid if the project was completed six months or more prior to Scheduled TLSD.

Thus, bonus was not admissible and payment of ₹ 63.63 crore made towards the same was irregular.

In reply, Managing Director, Karnataka Road Development Corporation Limited (September 2021) stated that,

- Concessionaires of contracts WCP 3, WCP 5 and WCP 6 had completed the work on site handed over within 8 months of appointed date and requested IEs to issue PC (16/11/2017). The IE, Concessionaire and representative of the Authority had jointly conducted all tests required including the Safety Audit.
- The date determined by the IE upon tests being successful on the completed highway shall be the date of provisional completion. Due procedure had been followed prior to giving concurrence to IE to issue the PCC with prior date for the purpose of COD.

The reply is not acceptable as:

[161] PCs issued on 6th April or 30th March or 31st March 2018 by recording the effective date as 28th or 24th or 5th February 2018

- The fact remains that the Authority did not plan for early completion and hence milestones set originally were not altered.

- As per the CA, it was the responsibility of the Authority to appoint consultants for undertaking Safety Audit and issue PC only after compliance to the findings by the Concessionaires. The Safety Audit done by Concessionaires cannot be considered as valid in terms of provisions of Article 14.1.2 of CA.

- As per the CA, the date of issue of PC by the IEs was the criteria and there was no provision in the CA for considering a pre-dated COD with retrospective effect. Thus, the concurrence given for issue of PCs with a prior date for COD was irregular and payment of bonus for partially completed projects was inadmissible.

The matter was referred to the Government (August 2021); their reply is awaited.

Bengaluru **(Anup Francis Dungdung)**
The **Accountant General (Audit-II)**
Karnataka

Countersigned

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

Appendices

Appendix No. 1

(Referred to in Paragraph No.1.4)

Grants indicating persistent savings

(₹ in crore)

Sl. No.	Number and name of the grant	Amount of savings				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue (Voted)						
1	5-Home and Transport Department	0 (0)	13.15 (0)	36.39 (1)	401.87 (5)	576.26 (7)
2	6-Infrastructure Development	2.80 (29)	11.98 (47)	6.56 (73)	0.28 (3)	0.15 (0)
3	8-Forest, Ecology & Environment	68.68 (5)	32.09 (2)	83.80 (5)	115.48 (7)	86.43 (5)
4	15-Information Technology	8.30 (4)	0.80 (0)	0.60 (0)	0.46 (0)	66.57 (34)
5	16-Housing	1.68 (0)	259.51 (7)	492.58 (11)	915.89 (24)	467.63 (13)
6	18-Commerce and Industries	183.51 (17)	37.43 (4)	133.47 (13)	132.13 (11)	239.65 (18)
7	19-Urban Development Department	663.19 (9)	673.13 (7)	767.74 (7)	353.14 (4)	940.19 (9)
8	20-Public Works	2829.67 (11)	0 (0)	202.42 (7)	102.50 (3)	596.68 (18)
9	25-Kannada and Culture	20.22 (6)	35.62 (11)	38.89 (10)	82.02 (26)	28.54 (12)
10	27-Law	45.28 (7)	72.89 (11)	79.63 (10)	59.28 (6)	61.67 (6)
Revenue (Charged)						
1	5-Home and Transport Department	38.34 (84)	0.37 (8)	0.36 (16)	0.03 (0)	0.02 (0)
2	8-Forest, Ecology & Environment	199.41 (33)	146.34 (49)	0 (0)	358.62 (93)	19.81 (98)
3	16-Housing	28.08 (18)	0.67 (1)	0 (0)	0 (0)	0 (0)
4	19-Urban Development Department	0 (0)	0.12 (25)	0 (0)	620.38 (100)	675.91 (100)
5	20-Public Works	8.93 (34)	10.74 (39)	0 (0)	17.88 (56)	27.81 (70)
6	27-Law	37.61 (100)	0 (0)	0 (0)	63.44 (9)	46.17 (18)
Capital (Voted)						
1	5-Home and Transport Department	0.17 (0)	0 (0)	12.54 (2)	108.46 (13)	101.24 (12)
2	6-Infrastructure Development	176.05 (23)	5.12 (0)	21.26 (3)	37.74 (6)	41.56 (7)
3	8-Forest, Ecology & Environment	0.01 (0)	0.57 (1)	10.00 (50)	0.14 (1)	50.35 (43)
4	18-Commerece and Industries	104.27 (13)	54.42 (12)	41.15 (4)	576.29 (38)	416.18 (37)
5	19-Urban Development Department	85.83 (4)	1338.68 (28)	268.73 (5)	328.40 (6)	3380.77 (38)
6	20-Public Works	231.37 (3)	532.90 (7)	45.44 (1)	1147.20 (13)	1388.49 (17)
7	24-Energy	44.82 (5)	41.12 (4)	0 (0)	12.95 (1)	0 (0)
8	25-Kannada and Culture	0.88 (5)	2.34 (8)	2.26 (4)	12.27 (30)	80.27 (62)
9	27-Law	0 (0)	0 (0)	0.50 (1)	1 (40)	0 (0)
Capital (Charged)						
1	5-Home and Transport Department	25.19 (50)	0 (0)	0.01 (0)	0 (0)	0 (0)
2	16-Housing	0.20 (0)	0 (0)	0.74 (0)	0.01 (0)	0.03 (0)
3	19-Urban Development Department	-8.05 (0)	0.39 (9)	0 (0)	0 (0)	0 (0)
4	20-Public Works	0.39 (1)	14.08 (33)	0 (0)	0 (0)	0 (0)

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

Appendix No. 2

(Referred to in Paragraph No. 1.7 and 1.11)

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 under Section	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 2020
1	Karnataka Slum Development Board, Bangalore U/s 19(3)	2017-18 to 2021-22 U/s 19(3)	2018-19	2017-18 (2018-19 SAR issued on 02.06.2020)	2017-18	2019-20	3 months
2	Bangalore Water Supply and Sewerage Board, Bangalore U/s 19(3)	2017-18 to 2021-22 U/s 19(3)	2017-18	2017-18 (2018-19 accounts submitted on 19.05.2020)	2017-18	2018-19 2019-20	2019-20 3 months
3	Karnataka Housing Board U/s 19(3)	2016-17 to 2020-21 U/s 19(3)	2017-18	2016-17 (2017-18 SAR issued on 02.06.2020)	2016-17	2018-19 2019-20	2018-19 12 months 2019-20 3months
4	Karnataka Urban Water Supply & Drainage Board U/s 19(3)	2015-16 to 2019-20 U/s 19(3)	2018-19	2018-19 issued on 07.04.2020	2016-17	2019-20	3 months
5	Bengaluru Development Authority U/s 19(3)	2020-21 to 2024-25 U/s 19(3)	2018-19	2017-18 & 2018-19 issued on 29.01.2021	2016-17	2019-20	3 months
6	Karnataka State Legal Services Authority U/s 19(2)	U/s 19 (2)	2017-18	2017-18 & 2018-19 accounts submitted on 02.06.2020	2015-16	2018-19 & 2019-20	2019-20 3 months
7	Karnataka State Human Rights Commission Bengaluru U/s 19(2)	U/s 19 (2)	2018-19	2017-18 & 2018-19 issued on 28.05.2020	2016-17	2019-20	3 months
8	Karnataka Real Estate Regulatory Authority U/s 19(2)	U/s 19 (2)	The authority which was constituted on 14.07.2017 was yet to submit accounts since inception.				
9	Karnataka Biodiversity Board U/s 20 (1)	U/s 20 (1)	2018-19	2018-19 (16.03.2020)	2017-18	2019-20	3 months
10	Compensatory Afforestation Fund Management and Planning Authority U/s 20 (1)	U/s 20 (1)	2014-16	2014-16	Not yet placed	2016-17 onwards	03 years
11	Karnataka Industrial Areas Development Board U/s 19(3)	2019-20 to 2023-24 U/s 19(3)	2018-19	2018-19	2017-18	2019-20	03 months
12	Karnataka State Khadi and Village Industries Board U/s 19(3)	2017-18 to 2022-23 U/s 19 (3)	2018-19	2018-19	2017-18	2019-20	3 months
13	Karnataka Electricity Regulatory Commission U/s 19(2)	U/s 19(2)	2018-19	2017-18	2017-18	2019-20	3 months

Appendix No. 3

(Referred to in Paragraph No.1.10.1)

Year-wise breakup of outstanding Inspection Reports and Paragraphs issued up to 31st March 2020

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	31	240	29	142	107	329	76	147	0	0	243	858
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, Biotechnology and Science & Technology	1	5	1	7	8	56	9	35	0	0	19	103
6	Home Department	89	779	16	114	66	246	88	247	156	276	415	1,662
7	Housing Department	2	27	1	6	6	51	11	57	45	91	65	232
8	Urban Development Department	9	90	20	247	25	222	63	354	58	144	175	1,057
9	Law Department	75	483	5	33	15	68	44	148	127	235	266	967
10	Industries and Commerce	0	0	7	44	39	196	39	227	10	12	95	479
11	MSME & Mines	5	70	18	165	34	156	53	255	5	21	115	667
12	Tourism	0	0	7	35	9	59	4	106	0	0	20	200
13	Factories and Boilers	0	0	0	0	7	31	0	0	0	0	7	31
14	Endowment	0	0	0	0	6	81	4	41	3	12	13	134
15	Kannada & Culture	0	0	3	18	19	96	45	269	42	140	109	523
16	Energy	0	0	0	0	19	47	4	8	0	0	23	55
	Total	**294**	**2,530**	**189**	**1,548**	**605**	**3,206**	**743**	**3,037**	**446**	**931**	**2,277**	**11,252**

Appendix No. 4

(Referred to in Paragraph No.1.10.2)

Details of Departmental Notes pending as of 31 December 2021 (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**	**03**
2	Transport	05	01	01	04	04	04	02	03	03	01	--	--	2	--	--	--	**30**
3	Public Works Department	--	--	--	--	--	--	--	--	--	--	--	--	2	1	--	2	**05**
4	Infrastructure Development, Ports & Inland Water Transport	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	**00**
5	Information Technology, Biotechnology and Science & Technology	--	--	--	--	--	--	--	--	--	2	--	--	--	--	--	--	**02**
6	Urban Development	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	4	**04**
7	Housing Department	--	--	--	--	--	--	--	--	--	1	--	--	--	--	--	1	**02**
8	Home	--	--	--	--	--	--	--	--	--	--	--	--	--	1	--	--	**01**
9	Industries and Commerce				01		01		01			03	02	03	02	01		**14**
10	Kannada and Culture		01						01	01		01				01		**05**
11	Mines and Geology			02		01	01	04			06	02	06	04	03	02		**31**
12	Tourism								01	01			01		01			**04**
	Total	**05**	**02**	**03**	**05**	**05**	**06**	**06**	**06**	**05**	**10**	**06**	**9**	**11**	**08**	**04**	**10**	**101**

Appendix No. 5

(Referred to in Paragraph No.1.10.3)

Paragraphs to be discussed by the PAC

Sl. No.	Dept #	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	01	--	--	--	01	--	--	--	01	--	--	01	03*	02	--	**03**	**12**
2	Transport	05	01	01	04	04	04	02	03	03	01	--	--	02	--	--	--	**30**
3	Public Works Department	--	--	--	--	--	--	--	--	--	5			5	1	--	3	**14**
4	Infrastructure Development, Ports & Inland Water Transport	01	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	**01**
5	IT BT-Science & Technology	02	--	--	--	--	--	--	--	--	03	--	--	--				**05**
6	Home	--	--	--	--	--	--	--	--	--	--	01	--	--	01	--	--	**02**
7	Housing	--	01	01	--	--	--	--	--	--	--	01	--	--	--	01	01	**05**
8	UDD	--	--	--	01	01	--	01	04	04	02	03	--	02	03		04	**25**
9	Industries and Commerce				01		01		01			03	02	03	02	01		**14**
10	Kannada and Culture		01						01	01		01				01		**05**
11	Mines and Geology			02		01	01	04			06	02	06	04	03	02		**31**
12	Tourism								01	01			01		01			**04**
Total		**09**	**03**	**04**	**06**	**07**	**06**	**07**	**10**	**10**	**17**	**11**	**10**	**19**	**13**	**05**	**11**	**148**

*Includes one standalone report on Administration of NPWLS in Karnataka

Appendix – 6
(Referred to in Paragraph No. 2.1.1)
Brief of policies

Sl. No.	Name of Policy	Policy particulars in brief
1	**i^4 Policy- IT, ITeS, Innovation & Incentives Policy 2014-2020**	The IT Policy announced during 1997 was followed by the 'Millennium IT Policy' in 2000 and Information Communication and Technology (ICT) Policy during 2011 which envisaged to foster the growth of the IT industry with a particular thrust on Tier II and III cities[162]. During the year 2014, the Government of Karnataka brought out the Karnataka $\boldsymbol{i^4}$ Policy (IT, ITeS, Innovation, and Incentives Policy) wherein several incentives were proposed to be offered to new IT/ITeS and other knowledge-based sectors to set up their facilities in Karnataka, apart from imparting skilling.
2	**Karnataka Start-up Policy 2015-2020:**	***To give wings to start-ups in the State through strategic investment and policy interventions by leveraging the robust innovation climate in Bengaluru*** - The Startup Policy 2015 was announced in November 2015 and is valid for five years from the date of its notification or till a new Policy is formulated. The objective of the Policy is to promote innovation and to encourage startups, particularly to promote the growth of technology-based startups and to build a robust startup ecosystem in the State. The Policy *inter alia* had the goals of stimulating the growth of 20000 startups, providing employment to 18 lakh people, creation of a ₹ 2000 crore Fund of Funds for Venture Capital, *etc*. The strategies included providing incubation facilities, Grant in Aid, Venture Capital, incentives, *etc*.
3	**Animation Visual effects, Gaming & Comics (AVGC) Policy 2012-2017 and 2017-2022**	Karnataka was the first Indian State to announce an AVGC Policy in 2012. The Policy was initiated to promote the State as a lucrative outsourcing destination and attract Venture Capital funding in the AVGC sector. This in turn aimed at providing employment to educated youth and bridge the gap in the demand and supply of skilled resources. The Policy was revised during 2017. The main activity taken up under this Policy was digitalising traditional art colleges.
4	**Karnataka Electronic System Design and Manufacturing (KESDM) Policy 2013-2017 and 2017-2022**	The National ESDM Policy was notified by the Government of India in the year 2012 with an explicit aim of transforming India into a premier ESDM hub. As per KESDM Policy 2013, Karnataka's Electronics Manufacturing Cluster (EMC) policy shall provide additional incentives on top of those offered by Government of India's Electronics Manufacturing Cluster scheme notified by DeitY[163]. The KESDM Policy was conceptualised in 2013 to make Karnataka the leading contributor to India's ESDM sector, generate over 20 *per cent* of the country's total ESDM exports target of USD 80 billion by 2020, make Karnataka the country's preferred destination for investments in ESDM sector and generate at least 240,000 new jobs, meet the target of graduating 25 *per cent* of India's PhDs in the sector from the State and aim to achieve 5000 patent filings in ESDM sector in Karnataka by 2020.

[162] The cities are classified based on their population. In Karnataka only Bengaluru is classified as Tier-1 city and all other places are classified under tier 2/3.
[163] DeitY later renamed as Ministry of Electronics and Information Technology (MeitY).

Appendix -7

(Referred to in Paragraph No. 2.1.4)

Table showing list of strategies and their progress

Sl. No.	Policy	Strategy /initiative	Whether promotional (Yes) or not (No)	Implemented/ not Implemented	Not Available	Discontinued
1	i^4	Single window	Yes (facility)	Yes		
2	i^4	E-LILA	Yes	No		
3	i^4	Mega Projects	Yes	No		
4	i^4	Stamp duty exemption	Yes	No		
5	i^4	Essential services	Yes		Yes	
6	i^4	Brand Bangalore	Yes			Yes
7	i^4	Reimbursement of PF/ESI	Yes	No		
8	i^4	Concessional Power Tariff	Yes	No		
9	i^4	Exemption from Karnataka Industrial Employment (Standing Orders) Rules 1946	Yes		Yes	
10	i^4	Strengthening Karnataka's leadership position by using IT/ITeS to transform society and giving better access to SME's and startups	Yes		Yes	
11	i^4	Skilling- YuvaYuga	No			Yes
12	KAVGC	Development of Quality Human Resources	Yes		Yes	
13	KAVGC	Development of AVGC Business through policy initiatives- Brand Karnataka	Yes		Yes	
14	KAVGC	Focus on Awareness and Entrepreneurship	Yes		Yes	
15	KAVGC	KAVGC promotion	Yes		Yes	
16	KAVGC	Fiscal Incentives and Concessions	Yes	No		
17	KAVGC	Public-Private Partnership for promotion of Fine Art Schools	No	Yes		
18	KAVGC	KAVGC Centre of Excellence	No	Yes		
19	KAVGC	KAVGC Venture Capital Fund	No	Yes (partial- yet to disburse)		
20	KAVGC	Infrastructure Development – KAVGC Parks	No	No		
21	Startup	Venture funds	No	No		
22	Startup	Capacity Building – workshops	Yes		Yes	
23	Startup	Incentive and concessions	Yes	Yes		
24	Startup	Enablement- Startup Cell	Yes	Yes		
25	Startup	NAIN	No	Yes		
26	Startup	TBI	No	Yes		
27	Startup	Idea2PoC	No	Yes		

Appendix – 7 (Contd.)

Sl. No.	Policy	Strategy /initiative	Whether promotional (Yes) or not (No)	Implemented/ not Implemented	Not Available	Discontinued
28	Startup	CIF	No	Yes		
29	Startup	Grand Challenge	No			Yes
30	KESDM	Preferential Market Access (PMA) Policy	Yes			Yes (GO issued- No beneficiary data)
31	KESDM	Semiconductor IP and Fables Chip Design fund	No	No		
32	KESDM	Sign MoUs with identified "sister-cities" in other countries, and engage with the 50 top ESDM companies of the world to pro-actively invite investments into the state.	Yes	No		
33	KESDM	Innovation Promotion	Yes		Yes	
34	KESDM	Incentives	Yes	Yes		
35	KESDM	Setting up of 3 innovation centres	No	Yes		
36	KESDM	Establishment of 7 ESDM clusters	No	Yes		
Total			**22 Nos.**	**13 Nos. – Yes 10 Nos. – No**	**9 Nos.**	**4 Nos.**

<u>Total 36 Policies</u>

- No of promotional strategies – 22 out of 36.
- Total number of policies not implemented – 10 out of 36.
- Total number policies for which details of implementation not available – 9 Nos out 36.
- Total number of strategies abandoned – 4 Nos out of 36.

Appendix – 8

(Referred to in Paragraph No. 2.1.5)

Statement showing details of unutilised balances by the end of March 2020 by KITS without UCs.

Policy- Head of Account	Interest (₹ in crore)	Total Closing Balance including interest (₹ in crore)
Wi-Fi	2.16	25.58
Yuva Yuga	1.00	11.37
Semiconductor	3.19	8.82
NAIN	0.81	3.34
ICT	6.11	6.61
Total	**13.28**	**55.73**

Appendix – 8A

(Referred to in Paragraph No. 2.1.5)

Statement showing Details of grants released to KEONICS and pending UCs.

Year	Grant amount- ₹ in lakh	Purpose	UC received	Remarks
2015-16	652	IT promotion	444	Partly furnished- Balance - ₹ 208 lakh
2016-17	900	KWINGS/Parks/Wi-Fi	803	Partially furnished for – Balance - ₹ 97 lakh
Total	**1,552**		**1,247**	**Balance - ₹ 305 lakh**

Appendix – 9

(Referred to in Paragraph No. 2.1.9)

Statement showing Grand Challenge call-wise status

Sl. No.	Calls No /Month	Challenge	Host Department	Solution/Product developed	Status
1	1/ Aug 2016	To build a technology enabled system for real time monitoring of quality of sewage water discharge in urban areas.	Urban Development Department (UDD) Bengaluru Water Supply and Sewerage Board (BWSSB)	**Winner: Greenvironment Innovation & Marketing, India (P) Ltd.** **Solution**: Building a Real Time Quality Monitoring System for water & Sewage Management. Grant released for Phase 1 – ₹ 10 lakh; Phase 2 – ₹ 20 lakh (First tranche).	The target was to install 50 units of Real Time Monitoring Systems. Permission for only four centers was belatedly given by BWSSB on 21 January 2020. The project could not be scaled up due to a lack of support from Government Department. It was replied that (October 2020) further tranches were not released as the UC was not submitted by the Grantee.
2	2/ Oct 2016	A technology enabled system for early detection and warning of plant diseases and pest infestation in different crops	Agriculture, Horticulture	**Winner- AgNext Technologies Pvt Ltd** **Solution**: Pest mitigation platform through photo-based infestation, detection Grant released for Phase 1 – ₹ 10 lakh; Phase 2 – ₹ 20 lakh (First tranche - May 2018)	AgNext had installed the device for 12 crops (up to April 2019) in 573.5 acres in Mysuru and Bangalore Rural district with plots of around 50 acres of area for each of the 12 crops. Further performance and fresh orders from the Government/others was not forthcoming. It was replied that (October 2020) further tranches were not released as the UC were not submitted by the Grantee.
3	3/ Nov 2016	Build a technology enabled system to ensure effective delivery of primary health services through meaningful, transparent and democratic engagement of communities.	Health and Family Welfare	**Winner**: Janitri Innovations Pvt Ltd **Solution**: It is a mobile-based labour (maternity ward) monitoring of the patient and generates alerts in case of any complication to help health care providers in decision making. Grant released for Phase 1 – ₹ 10 lakh; Phase 2 – ₹ 30 lakh (January 2019 and July 2019 – two tranches)	The device was installed (up to April 2019) in 60 hospitals in Kalaburagi district as identified by NHM. The training of staff nurses also has been completed for use of the device. It was replied that (October 2020) that it was expected to be adopted in more districts. However, no firm commitment had been given by the Host Department.
4	4/April 2017	Solutions for Tackling under-nutrition and Calorie-Protein-Micronutrient Deficiencies in children, adolescents and adults.	Department of Health and family welfare; Department of Women and child welfare	**Winners** 1.**Bloom Fresh Edibles** **Solution**: The solution was designed to help a mother as she begins the process of weaning her child off breast milk and introducing more textured foods. Grant released – Phase 1 ₹ 8 lakh; Phase 2 – Nil. **2.St John's Research Institute, Bangalore (CBCI Society)** **Solution**: A cost effective, culturally acceptable food with minimal preparation was proposed that was similar in	Both pilot projects were reported as developed under (Phase1) (December 2019 and July 2020). However, the Phase 2 winner was not yet declared by the end of September 2020 for pilot implementation. It was replied (October 2020) that the awardees did not come up with a plan for commercialisation and the draft was not satisfactory and no extension was allowed as the MoA period with IKP had ended.

Appendix – 9 (Contd.)

Sl. No.	Calls No /Month	Challenge	Host Department	Solution/Product developed	Status
				composition to the ready to use therapeutic food (RUTF). Grant released – Phase 1 ₹ 8 lakh; Phase 2 – Nil.	
5	5/ Aug 2017	Solutions for Reducing the Traffic congestion in Bengaluru City,	Transport Department.	**Winners** **Snap Commute Labs Pvt Ltd** **Solution:** The solution is a mobile app (Challo) that allows commuters to check availability, compare costs and commute times across all available commute options by combining real-time vehicle GPS and live traffic updates. Grant released for Phase 1 – ₹ 9.86 lakh;	**Snap Commute:** KITS sought (05 November 2019) for financial support of ₹ 20 lakh from BMTC and support to share real time data. BMTC agreed (after much correspondence from February 2018) to share data only during November 2019, but declined to support by way of grant of ₹ 20 lakh sought for by the Department of ITBT. Further performance was not forthcoming as no further progress was
5				Phase 2 – ₹ 12 lakh (July 2019) **ZerotoOne Technologies Pvt ltd** Solution: Fae bikes. The solution is an electric scooter share service. Grant released for Phase 1 – ₹ 9.88 lakh; Phase 2 – ₹ 16 lakh (July 2019)	reported and was available with the department. **ZerotoOne:** Status of implementation of share service was not available with the Department of ITBT as no progress report was available.
6	6/ Aug 2017	Solutions for Water Conservation	Urban Development Department; Karnataka Urban Water Supply and Drainage Board (KUWS&DB)	**Winners**: **1. Openwater.in Pvt Ltd** Solution: A solar-powered water treatment plant that helps recycle wastewater to potable water and also make the water reusable for discharge and agricultural usage in the community. Grant released for Phase 1 – ₹ 9.79 lakh; Phase-2 – ₹ 10 lakh (July 2019) **2. Harvest Wild Organic Pvt Ltd** **Solution**: An alternative to phosphate used in detergents by manufacturing detergents from bio surfactants extracted from agricultural biomass. Grant released for Phase 1 – ₹ 8.90 lakh; Phase 2 – Nil	MoA was entered (April 2019) into with only Openwater.in Pvt. Ltd and the first tranche was paid (11 July 2019). Further progress report was not available with the Department. MoA with Harvest Wild Organic solutions Pvt. Ltd was not concluded as the awardee did not finalise the plans.

Appendix – 10

(Referred to in Paragraph No. 2.2.7.2)

Statement showing discrepancies in GIS database of BWSSB

Discrepancy	Data indicated	No. of records		Length (metres)	
		WSS	UGD	WSS	UGD
Year of Installation	0	8,507	11,068	12,76,289.00	12,42,986.60
	1	0	1	0	428.34
	2	3	0	5.20	0
	5	0	1	0	31.49
	6	0	1	0	49.32
	10	0	10	0	830.51
	11	1	0	22.89	0
	12	1	0	11.27	0
	16	1	0	296.99	0
	17	0	1	0	322.39
	18	1	0	170	0
	93	1	0	226.92	0
	200	0	1	0	116.02
	20,102	5	0	24.95	0
	20,108	1	1	1.92	43.27
	20,112	1	0	54	0
	20,141	0	1	0	117.64
Month of installation	0	29,734	34,450	46,88,649.17	38,81,987.27
	17	0	2	0	80.35
	20	0	1	0	108
	22	1	0	18.56	0
	23	0	14	0	969.22
	27	0	2	0	147.17
	28	0	1	0	119.80
	100	2	0	132	0
	198	0	1	0	154.79
	1,138	1	0	4	0
	3,347	1	0	5.99	0
Diameter of pipe	0	78	266	15,581	37,342.57
	1.5	1	0	6	0
	10	1	0	1.26	0
	15	6	0	248.62	0
	20	3	0	25.00	0
	32	1	0	104.56	0
	38	1	0	240.24	0
	50	126	0	15,603.45	0
	63	614	0	83,376.98	0
	1,50,150	0	1	0	27.29
	3,00,100	1	0	5.61	0
Total		**39,093**	**45,823**	**60,81,105.58**	**51,65,862.04**

Source: Information derived from GIS database of BWSSB

Appendix-11 A

(Referred to in Paragraph No. 2.4.2)

Unwarranted BM and SDBC layers though design traffic was less than 1.5 MSA.

Sl. No.	Division	Work Indent	MSA computed	Cost of avoidable BM and SDBC adopted (₹)		Cost of OGPC to be adopted (₹)	Avoidable payment (₹ lakh)
				BM	SDBC		
1	Shivamogga Spl Div	97556	1.4	22,68,750	14,81,250	10,50,825	26.99
2	Shivamogga Spl Div	97559	1.4	26,73,750	17,03,477	12,15,866	31.61
3	Shivamogga Spl Div	97563	1.4	21,76,875	13,73,250	10,42,693	25.07
4	Shivamogga Spl Div	97562	1.4	29,06,619	13,98,566	12,95,014	30.10
5	Ramnagara	80263	0.99	35,74,698	22,85,388	17,09,659	41.5
6	Ramnagara	80291	0.99	20,62,500	14,06,250	9,13,275	25.55
7	Ramnagara	80997	0.99	64,00,704	0	NA	64.01
8	Ramnagara	80994	0.99	95,35,193	61,32,892	46,29,772	110.38
9	Belgavi	69485	1	9,65,330.7	6,04,237.28	4,75,648.5	10.93
10	Dharwad	97797	1	23,27,381	14,87,385.5	11,42,810.8	26.72
11	Sirsi	99794	0.6	18,48,148	12,06,889.52	7,89,105.24	22.66
12	Sirsi	99795	0.6	22,56,604	14,13,776	8,62,022.73	28.08
13	Sirsi	99752	0.85	15,42,188	10,63,125	66,3915	19.41
14	Sirsi	99756	0.85	13,43,203	8,77,182.53	5,60,614.68	16.60
15	Sirsi	99758	0.85	18,37,500	12,46,875	7,38,360	23.46
Total							**503.07**

Appendix-11 B

(Referred to in Paragraph No. 2.4.2)

Unwarranted BM and SDBC by adopting higher VDF and computing higher MSA.

Sl. No.	Division	Work Indent	MSA computed	Actual MSA	Cost of avoidable BM and SDBC adopted (₹)		Cost of OGPC to be adopted (₹)	Avoidable payment (₹ lakh)
					BM	SDBC		
01	Belgavi	69489	2	0.076	7,58,672	4,74,967.5	3,73,440	8.60
02	Belgavi	73076	2	0.25	26,10,818	1,63,4211	12,86,183	29.59
03	Belgavi	98697	2	0.11	40,89,725	2,74,9988	21,58,795	46.81
04	Belgavi	65696	2	0.08	39,91,390	23,02,725	15,96,556	46.98
05	Hunsuru	100448	2	0.09	12,13,435	0	0	12.13
06	Hunsuru	101810	2.3	0.09	39,99,852	0	0	40.00
07	Karwar	115025	3	0.54	8,12,382	5,25,548	3,61,733	9.76
08	Karwar	116833	2	0.038	22,61,250	14,41,803	9,95,963	27.07
09	Karwar	111050	2	0.32	54,58,438	34,89,924	24,53,378	64.95
10	Karwar	111233	2	0.34	25,98,750	16,73,438	12,48,503	30.24
11	Karwar	115023	2.5	0.34	22,35,938	14,20,363	9,20,813	27.35
12	Chitradurga	66352	2	0.09	81,94,348	51,17,327	46,30,970	86.81
13	Chitradurga	66373	2	0.09	85,39,191	55,01,327	45,55,118	94.85
14	Hassan	88718 (3)	2	0.08	11,77,160	7,83,000.1	5,81,217	13.79
15	Hassan	88718 (4)	2	0.06	21,16,625	14,07,894	10,45,058	24.79
16	Hassan	88718 (5)	2	0.06	4,98,029	3,31,269.3	2,45,900	5.83
17	Hassan	88718 (8)	2	0.07	10,97,928	7,30,298.2	5,42,112	12.86
18	Hassan	88718 (9)	2	0.08	8,54,573	5,68,428.3	4,21,934	10.01
19	Hassan	88511(1)	2	0.07	10,75,291	7,15,240.5	5,30,904	12.60
20	Hassan	88511(2)	2	0.06	12,45,074	8,28,173.2	6,14,779	14.58
21	Hassan	88511(3)	2	0.06	13,58,262	9,03,461.6	6,70,635	15.91
22	Hassan	88630(1)	2	0.07	15,85,243	10,54,440	7,82,723	18.57
23	Hassan	88999(1)	2	0.07	10,18,212	6,77,273.9	5,02,770	11.93
24	Hassan	89225(1)	2	0.064	19,84,440	13,19,970	10,27,893	22.77
25	Hassan	89225(2)	2	0.064	18,33,450	12,19,538	9,49,714	21.03
26	Hassan	89225(3)	2	0.076	17,25,600	11,47,800	8,93,820	19.80
27	Hassan	89225(4)	2	0.064	17,04,030	11,33,453	8,82,677	19.55
28	Hassan	89225(5)	2	0.072	30,97,387	17,55,250	12,30,492	36.22
29	Hassan	89225(6)	2	0.07	1694531	9,37,520	6,98,312	19.34
30	Hassan	89225(7)	2	0.055	13,33,745	8,87,153.8	6,90,863	15.30
31	Hassan	89225(8)	2	0.069	10,03,005	6,67,158.8	5,19,548	11.51
32	Hassan	89275(2)	2	0.07	17,45,647	11,56,686	7,86,342	21.16
33	Hassan	89275(2)	2	0.065	12,27,909	8,16,750	5,53,259	14.91
34	Hassan	89275(2)	2	0.07	2,48,063	1,65,000	1,11,773	3.01
35	Hassan	89275(2)	2	0.063	7,68,994	5,11,500	3,46,525	9.34
36	Hassan	89275(2)	2	0.076	23,56,594	15,67,500	10,61,869	28.62
37	Hassan	89275(2)	2	0.055	23,87,602	15,88,125	10,75,818	29.00
38	Hassan	89275(2)	2	0.07	9,84,808	6,55,050.9	4,43,752	11.96
39	Hassan	90837(1)	2	0.066	7,65,305	5,09,050.4	3,77,880	8.96
40	Hassan	90837(2)	2	0.065	9,39,465	6,24,894.3	4,63,841	11.01
41	Hassan	90837(3)	2	0.07	5,71,602	3,80,207.2	2,82,203	6.70
42	Hassan	90837(4)	2	0.068	8,35,708	5,55,880.3	4,12,634	9.79
43	Hassan	90837(5)	2	0.076	4,12,006	2,74,050	2,03,396	4.83
44	Hassan	90837(6)	2	0.068	14,03,537	9,33,577	6,92,990	16.44
45	Hassan	90837(7)	2	0.072	5,20,667	3,46,327	2,57,047	6.10
46	Hassan	90837(8)	2	0.07	14,44,285	9,60,680.9	7,13,138	16.92
47	Hassan	90837(9)	2	0.07	9,56,443	6,36,188	4,72,246	11.20
48	Hassan	100812	2	0.066	26,83,125	17,71,875	14,65,796	29.89
49	Hassan	100813	2	0.063	11,17,463	730021.9	6,00,023	12.47
50	Hassan	100814	2	0.07	27,73,339	18,11,782	14,91,794	30.93
51	Hassan	102277	2	0.18	9,10,815	5,94,983.8	5,00,816	10.04
52	Hassan	93583	2	0.16	28,67,268	18,73,023	15,76,627	31.64
53	Hassan	90842	2	0.15	50,00,145	26,56,770	22,36,350	54.21
Total								**1,210.66**

Appendix-11 C

(Referred to in Paragraph No. 2.4.2)

Unwarranted BM and SDBC by adopting higher LDF and computing higher MSA.

Sl. No.	Division	Work Indent	MSA computed	Actual MSA	Cost of avoidable BM and SDBC adopted (₹)		Cost of OGPC to be adopted (₹)	Avoidable payment (₹ lakh)
					BM	SDBC		
01	Sirsi	100090	1.55	0.775	25,19,160	16,19,460	9,66,709.66	31.72
02	Sirsi	100125	1.55	0.775	11,19,525	7,31,083.8	4,65,303.5	13.85
03	Sirsi	100190	1.55	0.775	17,67,125	11,86,920	7,16,530.42	22.38
04	Sirsi	100192	1.57	0.785	17,56,533	11,47,107	7,32,682.5	21.71
05	Sirsi	100194	1.55	0.775	15,83,750	10,18,170	6,26,287.68	19.76
06	Sirsi	113738	1.55	0.775	22,27,500	14,82,311	9,83,400	27.26
Total								**136.68**

Appendix-12

(Referred to in Paragraph No. 2.7)

Check measures prescribed in KPWD/KPWA/KFC Codes

Sl. No.	Code	Rule No	Provision
01	KPWD	109	Measurement Book (MB) forms the basis for all accounts of quantity of work done. Hence Assistant Executive Engineer (AEE) has to ensure that all MBs are carefully accounted and measurements are carefully recorded in them.
02	KPWD	110 (5 and 9)	Check measurement is prescribed at 100% for AEE and 10% to 25% for EE[164] with the aim to detect errors in measurement, to prevent fraudulent entries, to check/ verify whether the works carried out at site and recorded in the MBs are in accordance with the sanctioned plans and estimates and prescribed specifications.
03	KPWD	110 (8)	The AEE to exercise necessary checks to get satisfied that the measurements recorded are accurate. The check measurement certificate recorded by the AEE entitles the Agency executing the work to claim payment from Government funds and hence a false certificate either by the field engineer or by the AEE can be construed as a fraudulent attempt to claim payment from the Government by unfair means.
04	KPWD	110 (14)	Quantities entered in MBs should be traceable to vouchers and entries in the MB and should also be crossed diagonally in Red ink at the time of preparation of the bill
05	KPWD	112 [2(ii)]	In respect of works of contract value more than ₹ 25 lakh, the field engineers have to take independent measurement of the work and enter the same in electronic spreadsheets. The responsibility for the correctness of measurements entirely rests with the field engineer.
06	KPWD	112 [2 (v)]	Hardcopies of spreadsheets of detailed measurements shall be bound, numbered and stored, and shall be considered as MBs as referred to in the manuals and codes.
07	KPWD	220 (1)	Register of works, a permanent and collective record of expenditure incurred on all works carried out during the year, is to be maintained by the Division office and posted monthly.
08	KPWD	220	A permanent and collective record of expenditure incurred on all works carried out during the year should be maintained in the Divisional Office in the Register of works.
09	KPWA	24 (A)	The Divisional Accountant assisted by Accounts Clerks is responsible to verify the correctness of quantities and rates claimed in works bills with reference to MBs, estimates, agreements.
10	KFC KPWA	49 44	Drawing and Disbursing Officer (DDO) is responsible to ensure that payments are made to the person actually entitled to receive it and the Divisional Officer (EE) is responsible for financial regularity of the transactions of the Division.
11	KPWA	203 (c)	The bills received from the contractors for supply of goods/execution of works along with relevant records like MBs are to be recorded in the Sub Divisional Bill Register (SBR) and forwarded to the Division office for scrutiny and payment. The bills received with the relevant records are recorded in the Divisional Bill Register (DBR) and forwarded to Accounts Section for scrutiny and payment. The SBR Number indicates the reference to the entry in SBR while the BR Number indicates the reference to its entry in the DBR.
12	KPWA	222	In case of a Running Account bill the AEE should further see that relevant entries have been checked with the previous bill.

[164] 10% for works costing up to ₹ 25 lakh and 25% for works costing more than ₹ 25 lakh.

Appendix-13 A

(Referred to in Paragraph No. 2.7)

Payment made to the same contractor twice – by referring to the same eMBs.

Sl. No.	Work Indent/ Agreement No.	Contractor/ tendered amount	MB ref and Page No.	Type of RA Bill	Amt paid (₹)	Additional payment (₹)	Remarks
1	2	3	4	5	6	7	8
01	64936/ 265(02-2018)	Suresh D Thatte	eMB-131, Pg 01-14	1st and Part	51,26,703	19,14,233	Payment of ₹ 19.14 lakh was superfluous as the work was already paid through 1st and part and 2nd and final. The reference of MB for 2nd and part bill relates to RA bill 1st and part which was paid for.
		₹ 91,50,005	eMB-131, Pg 15-25	2nd and Final	43,85,859		
			eMB-131, Pg 01-04	2nd and Part	19,14,233		
02	84167/ 112(01-2019)	Shivaputrappa H Hatti	eMB 197 Pg 01-05	1st and Part	18,44,366	16,42,830	2nd and part bill was not admissible as final bill was paid and page No 6 & 7 of e-MB 197 is part of page nos 6 to 13 related to measurements of 2nd and final bill.
		₹ 72,74,343	eMB 197 Pg 06-13	2nd and Final	63,02,851		
			eMB 197 Pg 06-07	2nd and Part	16,42,830		
03	70833/ (112/12-2017)	Somanagouda S Patil	eMB-96 Pg 10-13	2nd and part	5,80,273	14,93,974	The 3rd and final bill for the work which was drawn and paid during March 2018 had measurements at page numbers 14 onwards of e-MB 96.
		₹ 1,78,34,126	eMB-96 Pg 14-15	2nd and part	14,93,974		
04	84266/ (200/02-2019)	Somanagouda S Patil	eMB-206 Pg 13-23	2nd and final	1,55,53,181	12,10,910	The two bills were paid in the same month i.e., March 2019. Moreover, pages 13 and 14 of the eMB are common for both bills.
		₹ 2,14,33,767	eMB-206 Pg 13-14	2nd and part	12,10,910		
05	87883/ (89/01-2019)	Veerupakshappa Lingashetter	eMB-235 Pg 01-14	1st and part	33,11,932	14,23,944	Two bills have been drawn and paid as 1st and part for the same work. Page numbers 1 to 3 of e-MB 235 is common in both the cases.
		₹ 34,13,874.75	eMB-235 Pg 01-03	1st and part	14,23,944		
06	87024 (109/01-2019)	Venkatesh Kartagi	eMB-194 Pg 16-20	2nd and final	3,43,562	10,82,064	2nd and part was additional as the 2nd and final bill was being paid for the work. Page Nos 16 to 18 of eMB 194 is common in both cases.
		₹ 16,03,555.49	eMB-194 Pg 16-18	2nd and part	10,82,064		
					Total	**87,67,955**	

Appendix-13 B

(Referred to in Paragraph No. 2.7)

Payment made to the same contractor twice – by referring to the different MBs/eMBs.

Sl. No.	Work Indent/ Agreement No.	Contractor/ tendered amount	MB ref and Page No.	Type of RA Bill	Amt paid (₹)	Additional payment (₹)	Remarks
01	77534/ 215(01-2018)	Venkoba Wodeyar	1093, Pg 24-61 & 100-107	1st and Final	25,81,165	5,99,900	As the tendered work is certified as completed in ₹ 25.81 lakh bill, recording of measurements for ₹ 5.99 lakh as another 1st and final bill was superfluous.
		₹ 25,86,959	1141, Pg 22-23	1st and Final	5,99,900		
02	77550/ 231(02-2018)	Veeresh S Megalamath	1125 Pg 02-15	1st and Part	39,63,328	3,10,203	Out of four bills only two i.e., 1st and part and 2nd and final were valid. As one 1st and part bill was already paid and 2nd and final bill recorded/paid, there was no scope for recording additional measurements.
		₹ 96,37,078	862 Pg 112	1st and Part	3,10,203		
			1125 Pg 16-38	2nd and Final	56,72,826	8,39,000	
			1044 Pg 42-50	2nd and Part	8,39,000		
03	89398/ 154(01-2019)	Alimpasha	992 Pg 32-40	1st and Final	9,32,854	4,33,813	The work was completed on 14/3/2019 and recorded on 16/3/2019 whereas the measurements for 1st and part bill has been recorded on 18/3/2019.
		₹ 8,45,924	762 Pg 111-112	1st and Part	4,33,813		
04	67424/ 125(01-2018)	Prasad Sankranthi	983 Pg 43-47	1st and Part	51,73,331	15,62,890	2nd and part bill amounting to ₹ 15.63 lakhs was not admissible as final bill was paid. In both the 2nd bills the previous payment was shown as ₹ 51,73,331 which indicates fraudulent payment in one case.
		₹ 1,31,52,649	983 Pg 48-55	2nd and Final	79,78,856		
			995 Pg 73-76	2nd and Part	15,62,890		
05	279 (3-2019)	B Zabeer	1148 Pg 3-5	1st and Final	2,66,551	2,66,731	Two final payments have been made to the same contractor for the same work. Hence one payment is considered as additional.
		₹ 2,99,139	1149 Pg 1	1st and Final	2,66,731		
06	276 (3-2019)	Hayathpeer	1148 Pg 9-11	1st and Final	2,66,645	2,66,066	Two final payments have been made to the same contractor for the same work. Hence one payment is considered as additional.
		₹ 2,98,158	1149 Pg 3-4	1st and Final	2,66,066		

Appendix – 13 B (Contd.)

Sl. No.	Work Indent/ Agreement No.	Contractor/ tendered amount	MB ref and Page No.	Type of RA Bill	Amt paid (₹)	Additional payment (₹)	Remarks
07	284 (3-2019)	Lingashettar	1021 Pg 99-100	1st and Part	2,29,076	2,32,132	Two final payments have been made to the same contractor for the same work. Hence one payment is considered as additional.
		₹ 1,85,040	942 Pg 116	1st and Final	2,32,132		
08	64932/ (283/03-2018)	Suresh D Thatte	eMB-132 Pg 19-23	2nd and final	43,42,737	38,89,193	Measurements for 2nd & part and 2nd & final bill was recorded on 13/3/18 and 16/3/2018 respectively. However, both were certified as check measured on the same day (17/3/2018) by the same AEE.
		₹ 1,70,96,180	eMB-132 Pg 11-19	2nd and part	38,89,193		
09	70178/ (87/12-2017)	Veerappa B Bisanalli	eMB-89 Pg 14-18	2nd and final	18,70,854	14,68,416	While page reference was not given to e-MB for 2nd and part, both bills were received in Division on the same day i.e., 27/2/2018.
		₹ 2,43,42,557	eMB-89	2nd and part	14,68,416		
10	70890/ (116/12-2017)	Mallappa Neelappa Gouda	eMB-107 Pg 15-23	2nd and final	77,92,909	11,70,852	Two bills serial numbered as 2nd and part and 2nd and final bills were drawn and paid during the same month.
		₹ 1,67,59,585	eMB-107	2nd and part	11,70,852		
11	(195/01-2018)	Satya Prakash	875 Pg 62-66	1st and part	12,11,757	2,23,498	Two 1st and part bills were drawn during March 2018. Moreover, amount paid in two part bills already exceeded the contracted amount.
		₹ 11,95,977	358 Pg 113	1st and part	2,23,498		
12	70888/ (104/12-2017)	Somanagouda S Patil	eMB-90 Pg 18-22	3rd and final	4,02,234	4,18,568	As completion report is enclosed to the final bill, payment made on the other bill with same serial number is superfluous.
		₹ 2,09,49,146	eMB-90 Pg 17	3rd and part	4,18,568		
13	65818/ (74/11-2017)	Rahimansab D Doddamani	1267 Pg 10-16	2nd and part	3,48,736	5,06,784	₹ 95,24,000 has already been paid as seen from the DC bill and recorded at page number 16 of MB 1267, there is no scope of making another payment.
		₹ 1,04,06,719	949 Pg 83	2nd and part	5,06,784		
14	(277/3-2019)	K Raghavendra Rao	1021 Pg 98-99	1st and final	2,65,404	3,98,438	The contract was for repair of watchman shed at Kushtagi IB while both the bills have been drawn and paid towards annual maintenance of Kusthagi IB.
		₹ 3,79,588	1022 Pg 99-100	1st and part	3,98,438		
					Total	**1,25,86,484**	

Appendix-13 C

(Referred to in Paragraph No. 2.7)

Payment made to two contractors for single work indent & agreement

Sl. No.	Work Indent/ Agreement No	Contractor as per Agreement	Contractor to whom paid	Type of RA Bill	Month of payment	Payment made (₹)	Remarks
1	**2**	**3**	**4**	**5**		**6**	**7**
01	88920/ (127/01-2019)	Maresh	Venkatesh	1st and Final	March 2019	8,73,000	1st and final bill amounting to ₹ 23,88,765 has been paid to Maresh, the tendered contractor during the same month (March 2019)
02	87644/ (144/01-2019)	Basavaraj Neelappa Kudukunti	Gurappa Kallur	1st and Final	March 2019	8,44,879	1st and final bill amounting to ₹ 19,10,384 has been paid to Basavaraj Neelappa Kudukunti, the tendered contractor during the same month (March 2019)
03	87883/ (89/01-2019)	Veerupakshappa Lingashetter	Mudakappa Bander	1st and Part	March 2019	33,11,932	It was noticed that bill with same SBR and DBR number has been paid as 1st and part bill to Sri Veerupakshappa Lingashetter for the same amount during March 2019. Moreover, name of the contractor has been changed using correction fluid in the fraudulent bill.
04	88807/ (232/02-2019)	Amaragundappa Teggimani	Sharanappa Byali	Part Bill	March 2019	16,46,668	1st Part and 2nd Final bill amounting to ₹ 23,23,675 and ₹ 9,84,455 respectively has been paid to Amaragundappa Teggimani, the tendered contractor during the same month (March 2019)
				Part Bill		16,40,604	
05	87854/ (82/01-2019)	Yamanoorappa H Nadulamani	Rajendragouda C Patil	1st and Final	March 2019	8,76,937	1st and final bill has been paid to Yamanoorappa H Nadulamani for ₹ 18,39,876 during March 2019.
06	87024/ (109/01-2019)	Venkatesh Kartagi	Basavaraj H Pujar	2nd and Final	March 2019	3,40,000	Name of the contractor changed using correction fluid in the fraudulent bill. Moreover, the tendered contractor has been paid ₹ 3,43,562 towards 2nd and final bill.
Total						**95,34,020**	

Appendix-14

(Referred to in Paragraph No. 2.9)

Statement showing details of execution of absolute sale deeds on bogus documents

SL No	Name of the Applicant	Details of absolute sale deed	Details of site allocated	Value of Site as per the current guidance value	Irregularities noticed by Audit
1	Smt. Shantha Kumari	Sale deed No.977/2016-17 dated 23.06.2016 by Addl. District Registrar, BDA	Site No.1003, HBR I Stage / V Block, (30×40 = 1200 sq ft).	₹ 73.86 lakh @ 6155 /Sq. ft.	• Comparison of hard and soft copies of CA register revealed that the register was tampered to depict remittance of ₹ 22,450/- on 03.02.1988. • Absolute sale deed was carried out based on LCSD document number 5794 /1988-89 of SRO Bangalore South Taluk executed on 17.11.1988. However, as per certified copies of SRO document number 5794/ 1988-89 related to sale deed in the name of Sri. Narayan Reddy executed on 10.08.1988 • The EC dated 26.06.2016 submitted by the applicant shows the transaction related to above deed was recorded on 17.11.88. However, certified EC dated 09.12.2020, obtained by audit, revealed no such transaction. • Allotment register was manipulated to show that land was allotted in the name of applicant
2	Sri. A.D.William Kumar	No.978/2016-17 dated 23.06.2016 by Addl. District Registrar, BDA	Site No.1013, HBR I Stage / V Block (30×40 = 1200 sq. ft.)	₹ 73.86 lakh @ 6155 /Sq. ft.	• Comparison of hard and soft copies of CA register revealed that the register was tampered to depict remittance of ₹ 22,450 on 01.02.1988. • Absolute sale deed was carried out based on LCSD document number 8991 /1988-89 of SRO Bangalore South Taluk executed on 12.02.1988. However, as per certified copies of SRO, document number 8991/ 1988-89 related to Smt. Shanta Bhai Nemichand executed on 26.10.1988 • The EC dated 01.06.2016 submitted by the applicant shows the transaction related to above deed was recorded on 12.02.88. However, certified EC dated 09.12.2020, obtained by audit, revealed no such transaction. • Allotment register was manipulated to show that land was allotted in the name of applicant.
3	Sri.Rajendra Kumar	No. 2061/2016-17 dated 27.09.2016 by Addl. District Registrar, BDA	Site No. 1102, HBR Layout, I stage, V Block, (40×60 = 2400 sq.ft.)	₹ 147.72 lakh @ 6155 /Sq. ft.	• Comparison of hard and soft copies of CA register revealed that the register was tampered to depict remittance of ₹ 43,600 on 15.02.1988. • Absolute sale deed was carried out on based on LCSD document number 1927 /1988-89 of SRO Bangalore South Taluk executed on 01.09.1988. However, as per certified copies from SRO, document number 1927 / 1988-89 related to Sri. H.C. Krishnappa executed on 11.05.1988 • The EC submitted by the applicant shows the transaction related to above deed was executed between 01.04.88 to 31.03.89. However, certified EC obtained by audit from the SRO on 09.12.2020, revealed no such transactions. • Allotment register was manipulated to show that land was allotted in the name of applicant

Appendix – 14 (Contd.)

SL No	Name of the Applicant	Details of absolute sale deed	Details of site allocated	Value of Site as per the current guidance value	Irregularities noticed by Audit
4	Sri.Srinivasa Reddy	No. 1475/2016-17 dated 26.07.2016 by Addl. District Registrar, BDA	Site No. 1008, HBR Layout, I Stage, V Block, (30×40 = 1200 sqft)	₹ 73.86 lakh @ ₹ 6155 /Sq. ft.	• Comparison of hard and soft copies of CA register revealed that the register was tampered to depict remittance of ₹ 22,450 on 18.11.1987. • Absolute sale deed was carried out on based on LCSD document number 5619 /1987-88 of SRO Bangalore South Taluk executed on 12.02.1988 However, as per certified copies from SRO, document number 5619/ 1987-88 related to Sri Gurumurthy executed on 13.10.1987. • The EC dated 24.05.2016 submitted by the applicant shows the transaction related to above deed was executed on 12.02.88. However, certified EC obtained by audit from the SRO on 09.12.2020, revealed no such transaction. • Allotment register was manipulated to show that land was allotted in the name of the applicant.
5	Smt. Selvarani,	No. 41/2018-19 dated 28.03.2018 Addl. District Registrar, BDA	Site No. 1453, Chandra Layout, I stage, II Phase (60×40 = 2400 sq,ft)	₹ 178.37 lakh @ ₹ 7432.25 per Sq. ft.	• Comparison of hard and soft copies of CA register revealed that the register was tampered to indicate remittance of ₹ 11,646 on 17.03.83 by replacing original entry of ₹ 15,181/- pertaining to a different allottee. • Absolute sale deed was carried out on based on LCSD number 5135 /1983-84 of SRO Bangalore North executed on 04.10.1983, However certified copies obtained from SRO indicated document number 5135/ 1983-84 related to Sri. Guranavati executed on 18.02.1984. • Certified EC obtained by audit on 23.12.2020 did not indicate the execution of LCSD in the name of the applicant on 04.10.1983.
6	Smt. Khamarunnissa	No. 6768/2017-18 dated 18.01.2018 Addl District Registrar, BDA	Site No. 1242, HBR Layout, I stage, V Block (30×40 = 1200 sq. ft.)	₹ 73.86 lakh @ ₹ 6155 /Sq. ft.	• As per the allotment register, an amount of ₹ 22450/- was paid on 16.03.89, which was not available in CA Register. • Absolute sale deed was carried out based on LCSD document number 9193 /1989-90 of SRO Bangalore South Taluk executed on 25.05.1989. However, as per the information furnished by SRO, document number 7474/89-90 dated 31.03.90 was the last document executed for the period 1989-90. • The EC obtained by Audit on 09.12.2020 showed that no transactions took place during the period 25.05.1989 to 31.05.1989 confirming the lease deed submitted by applicant was fabricated. • Allotment register was manipulated to show that land was allotted to the applicant.

Appendix – 14 (Contd.)

SL No	Name of the Applicant	Details of absolute sale deed	Details of site allocated	Value of Site as per the current guidance value	Irregularities noticed by Audit
7	Sri .C.S.Narasimha Murthy	No. 7738/2017-18 dated 21.02.2018 Addl District Registrar, BDA	Site No. 1128, HBR Layout, I stage, V Block (60×40 = 2400 sq.ft)	₹ 147.72 lakh @ ₹ 6155 / Sq. ft.	• An amount of ₹ 43,600 was shown to have been paid on 19.12.87. However, the same was not available in CA Register. • Absolute sale deed was carried out on based on LCSD document number 2497 /1988-89 of SRO Bangalore South Taluk executed on 15.06.1988, however certified copies from SRO indicate that document related to sale deed in the name of Sri. Venkatappa Reddy executed on 26.05.1988. • The EC obtained by Audit on 09.12.2020 showed that no transactions took place during the period 15.06.1988 to 31.05.1989 confirming that the lease deed submitted by applicant was fabricated. • Allotment register was manipulated to show that land was allotted to the applicant
8	Smt. Chikkathayamma	No. 1182/2016-17 dated 08.07.2016 Addl District Registrar, BDA	Site No. 2143, Kengeri Satellite Town (25×40 = 1000 sq ft)	₹ 35.30 Lakh @ ₹ 3,530.32/ Sq. ft.	• An amount of ₹ 1465 was shown to have been paid by the applicant on 17.02.1976. However, the same was not found in CA register. • Absolute sale deed was carried out based on LCSD document number 2385 /1976-77 of SRO Bangalore South Taluk on 04.05.1976, however certified copies from SRO indicated that the document related to LCSD executed in favour of KEB. • The EC obtained by Audit on 09.12.2020 showed that no transactions took place during the period 04.05.1976 to 31.05.1989 confirming the lease deed submitted by applicant was fabricated. • Allotment register was manipulated to show that land was allotted to the applicant.
9	Sri. Appayyanna,	No. 3519/2017-18 dated 14.09.2017 Addl District Registrar, BDA	Site No. 1989, Kengeri Satellite Town (50×30 = 1,500 sq. ft.)	₹ 52.95 lakh @ ₹ 3530.32/ Sq. ft.	• An amount of ₹ 2480 was shown to have been paid by the applicant on 17.03.76. However, the same was not found in CA register. • Absolute sale deed was carried out based on LCSD document number 923 /1976-77 of SRO Bangalore South Taluk executed on 08.05.1976, however certified copies from SRO indicated that the document related to LCSD executed in favour of Sri. T.C. Ramaswamy on 13.7.1976. • The EC obtained by Audit on 09.12.2020 showed that no transactions took place during the period 08.05.1976 to 31.05.1989 confirming the lease deed submitted by applicant was fabricated. • Allotment register was manipulated to show that land was allotted to the applicant.

Appendix – 14 (Contd.)

SL No	Name of the Applicant	Details of absolute sale deed	Details of site allocated	Value of Site as per the current guidance value	Irregularities noticed by Audit
10.	Sri.Venkateshappa	Absolute sale deed No. 5436/2018-19 dated 16.10.2018 by Addl District Registrar, BDA	Site No. 843/A, HBR Layout, I stage, III Block (30×40 = 1200 sq.ft)	Rs. 73.86 lakh @ ₹ 6155 / Sq. ft.	• An amount of ₹ 22450 shown to be paid on 20.12.1987 in the allotment register was not traced in CA register. • Absolute sale deed was carried out based on LCSD document number 8437 /1988-89 of SRO Bangalore South Taluk on 13.10.1988, However certified copies from SRO indicated that the document related to sale deed of Smt. Lakshmi executed on 13.10.88 • The EC obtained by Audit on 01.01.2021 showed that no transactions took place during the period 01.04.1988 to 31.05.1989 confirming that the lease deed submitted by applicant was fabricated. • Allotment register was manipulated to show that land was allotted to applicant • The applicant was given an alternate site (843/A, HBR layout, 1st stage) on cancellation of LCSD No.8437/1988-89 for the site no 785, HBR Layout 1st stage.
11.	Smt. Gulab Jan,	Absolute sale deed No. 5818/2015-16 dated 17.03.2016 was cancelled on 25-04-2017 and alternate site was allotted through deed 285/2017-18 by Addl. District Registrar , BDA	Site No. 1636, HBR Layout, I stage, V Block was cancelled and alternat site no 842, HBR layout, 1st Stage, 3rd Block (30×40=1200 sq.ft) was allotted	Rs. 73.86 lakh @ 6155/Sq. ft	• An amount of Rs 17450 was shown to have been paid by the applicant on 06.02.88. However, the same was not found in CA register. • Absolute sale deed was carried out based on LCSD document number 17457 /1988-89 of SRO, Bangalore South taluk on 19.08.88. However, as per the information furnished by SRO, document number 17213/88-89 dated 31.03.89 was the last document executed for the period 1988-89. • The EC obtained by Audit on 09.12.2020 showed that no transactions took place during the period 19.08.1988 to 31.05.1989 confirming that the lease deed submitted by applicant was fabricated. • Allotment register was manipulated to indicate that land was allotted to the applicant. • The applicant was given an alternate site (842, HBR layout, 1st stage) on cancellation of LCSD No. 17457/ 1988-89 vide document No. 284/2017-18.
12.	Sri.B. Hanumappa	No. 5868/2017-18 dated 21.12.2017 by Addl District Registrar, BDA	Site No. 895/A, HBR Layout, I stage, IV Block (60×40 = 2400 sq.ft)	₹ 147.72 lakh @ ₹ 6155/Sq. ft.	• Comparison of hard and soft copies of CA register revealed that register was altered to indicate that the cash challan of ₹ 43,600 was paid by the applicant on 03.02.88. • The EC dated 26.06.2017 submitted by the applicant shows the transaction related to above deed was recorded on 07.09.88. However, the EC obtained by audit on 09.12.2020 indicated that no transactions took place during the period 07.09.1988 to 31.05.1989 confirming the lease deed submitted by applicant was fabricated

Appendix – 14 (Contd.)

SL No	Name of the Applicant	Details of absolute sale deed	Details of site allocated	Value of Site as per the current guidance value	Irregularities noticed by Audit
					• Allotment register was manipulated to show that land was allotted. • Audit also observed that BDA executed ASD with Sri. M. Channakeshava Nayak on 15.7.2004 in respect of the above site. • Sri. Hanumappa sold the site (March 2018) and when the third party tried to take possession of the site, the original allottee (wife of Channakeshava Nayak) has approached the High court of Karnataka.
13.	Smt. C.S. Rukmini	No. 5479/2015-16 dated 26.02.2016 by Addl District Registrar, BDA	Site No. 1625, HBR Layout, I stage, IV Block (30×40 = 1200 sq.ft.)	₹ 73.86 lakh @ ₹ 6155/Sq. ft.	• Audit observed that the challan of Rs 17450/- was shown as paid by the applicant on 30.12.1987, however same was not traced in CA Register. • Absolute sale deed was carried out based on LCSD document number 9736/1988-89 of SRO, Bangalore South Taluk executed on 21.12.1988, however certified copies from the SRO indicated that the document related to LCSD in favour of Sri. D. Loknath executed on 02.12.1988 • The EC dated 23.12.2015 submitted by the applicant showed that the transaction related to above deed was recorded on 21.12.88. The EC obtained by audit on 09.12.2020 indicated no transactions during the period 21.12.1988 to 31.05.1989 confirming that the lease deed submitted by applicant was fabricated. • BDA executed ASD for this site with Shri. Muniraju and Sri.Manjunath on 21-01-2016. • Allotment register was manipulated to record that land was allotted to C.S. Rukmini (Vol 3 of HBR I stage). Allotment register had entries for Sri.Muniraju and Sri. Manjuanth (Vol 4 of HBR) indicating two entries for a single site in the allotment register.
14.	Smt. Shanthamma	ASD No. 1368/2018-19 dated 13.06.2018 by Addl District Registrar, BDA	Site No.407, HBR Layout, I Stage, II Block (60×40 =2400 sq.ft).	₹ 147.72 lakh @ ₹ 6155/Sq. ft.	• Comparison of hard and soft copies of CA register indicated that entries were tampered to depict that the cash challan of ₹ 47400/- was paid by the applicant on 25.02.1988. • Absolute sale deed was carried out based on LCSD document number 6378/1988-89 of SRO, Bengaluru South executed on 28.12.1988, however as per certified information from SRO, indicated that the document related to ASD of Sri. Yerappa executed on 25.8.1988 • The EC dated 16.05.2017 submitted by the applicant shows the transaction related to above deed was recorded on 28.12.88. The EC obtained by audit on 14.12.2020 revealed that no transactions took place during the period 28.12.1988 to 31.05.1989 confirming that the lease deed submitted by applicant was fabricated. • BDA executed ASD with Sri. D.N. Vasathkumar on 03.04.2003 in respect of same site. • Allotment register was manipulated to show that land was allotted to Smt. Shantamma and entries recorded in Vol I of HBR I stage/ II Block. The allotment register had entries for B.N. Vasanthkumar in Volume 2 of HBR I stage indicating double entries in allotment register for the same site.

Appendix-15

(Referred to in Paragraph No. 2.13.1)

Statement showing stipulated period of completion, funds received, and expenditure incurred for UGD projects as of March 2021

(₹ in crore)

Sl No	Name of the town	Scheme	Date of commencement and scheduled date for completion	Revised Estimate	Funds received	Expenditure incurred
1	Kundapura	UIDSSMT	November 2015 to November 2017	48.14	41.84	26.20
2	Nanjangudu	UIDSSMT	October 2007 to April 2009	25.00	22.72	23.68
3	Pandavapura	UIDSSMT	August 2007 to January 2012	10.19	6.82	5.98
4	Soundatti	UIDSSMT	March 2009 to June 2010	32.30	4.77	1.72
5	Kaup	State Plan	October 2015 to July 2016	3.03	1.56	0.77
6	Bantwala	State Plan	March 2009 to October 2010	16.62	8.18	12.69
7	Ullala	State Plan	June 2010 to June 2012	65.71	39.20	22.68
8	Arakalgudu	State Plan	April 2016 to October 2017	39.42	15.36	11.83
9	Bagepalli	State Plan	March 2013 to March2015	27.70	16.32	15.00
10	Chintamani	State Plan	December 2010 to November 2011	6.03	6.03	5.08
11	Madikeri	State Plan	November 2015 to November 2018	49.56	28.43	25.86
12	Honnavara	State Plan	May 2016 to May 2018	28.00	15.60	13.92
13	Hirekeruru	State Plan	November 2015 to May 2017	8.27	7.04	6.97
14	Kumta	State Plan	May 2016 to May 2018	35.00	33.87	26.37
Total				**394.97**	**247.74**	**198.75**

Appendix-16

(Referred to in Paragraph No. 2.13.5)

Statement showing details of UGD works undertaken and its status as of 31-03-2021

Name of ULB		Wet well (No)		Septic Tank (No)		STPs (No)		Sewer line (in KMs)		Manholes (No.)	
		P	**E**	**P**	**E**	**P**	**E**	**T**	**E**	**T**	**E**
Kundapura		5	0	0	0	3	0	39.57	29.20	1,485	1,102
Nanjangudu		3	2	0	0	1	1	90.00	90.00	3,114	3,114
Pandavapura		4	2	0	0	1	0	46.36	45.15	1,677	1,532
Soundatti		1	0	0	0	1	0	51.50	8.00	2,232	580
Madikeri		3	0	9	0	1	0	109.80	69.80	4,134	2,404
Bantwala		0	0	0	0	2	0	35.68	30.00	1,265	1,325
Kaup		0	0	0	0	1	0	2.37	1.00	80	46
Ullala	1st phase	-	-	-	-	-	-	77.94	60.50	2,562	2,228
	2nd Phase	8	WIP	0	0	2	WIP	0	0	0	0
Hirekeruru		1	0	7	0	1	0	35.12	27.88	1,375	1,190
Honnavara		2	0	0	0	1	0	39.76	19.18	1,585	905
Kumta		2	0	0	0	1	0	68.33	49.74	2,723	1,760
Bagepalli		1	0	0	0	2	0	54.94	49.69	1,908	1,752
Chintamani		1	0	1	0	1	0	18.27	14.52	693	662
Arkalagudu		0	0	0	0	0	0	35.53	36.16	974	1,275
Total		**31**	**4**	**17**	**0**	**18**	**1**	**705.18**	**530.82**	**25,807**	**19,875**

P-Planned, E-executed, T-tendered, WIP-Work in Progress

Appendix-17

(Referred to in Paragraph No. 2.13.6)

Statement showing the details of sewage generation and its disposal by ULB

Sl. No	Name of the ULB	Sewage generation in MLD* / day	Existence of STP	Mode of disposal	Water body polluted	Remarks
1	Kundapura	3.000	No	Open drain/SWD	Netravati river	Proposal to construct STPs of 2.80/0.735/0.070 MLD capacity yet to be executed
2	Nanjanagudu	11.920	Yes	Open drain/SWD	Agricultural canal & Kapila river	7 MLD capacity exists. However, Zone I A wetwell to be completed & connected to STP
3	Pandavapura	3.058	No	Soak Pits	Agricultural fields and water bodies	Proposal to construct STP of 3 MLD capacity yet to be executed
4	Soundatti	6.646	No	Open drain	Malaprabha river	Proposal to construct STP of 4.8 MLD capacity yet to be executed
5	Kaup	0.264	No	Open drain/SWD	Arabian Sea	Proposal to construct 0.30 MLD capacity STP yet to be executed
6	Bantwala	5.225	No	Septic tanks/soak pits/open katcha drain	Netravati river	Proposal to construct two STPs (4.14+0.22 MLD capacity) yet to be executed
7	Ullala	7.810	No	open katcha drain	Back waters/ Arabian Sea	Proposed to construct two STPs (4.40+1.70 MLD). Only the construction of 4.40 MLD STP is under progress
8	Arakalgudu	2.475	No	Septic tank/leach pits/Soak pit/open drain	Agricultural fields and water bodies	Proposal to construct two STPs (1.10+1.30 MLD capacity) yet to be executed
9	Bagepalli	4.279	No	septic tank /open drain	Agricultural fields	Proposal to construct two STPs (4.30+0.55 MLD capacity) yet to be executed
10	Chintamani	5.238	No	septic tank /open drain	Agricultural fields	Proposal to construct STP of 6.40 MLD capacity yet to be executed
11	Madikeri	4.950	No	septic tank /open drain	Cauvery river	Proposed one STP of 4.50 MLD capacity was yet to be constructed
12	Honnavara	2.492	No	Septic tank/leach pits/Soak pit/open drain	Back waters/ Arabian Sea	Proposal to construct STP of 2.60 MLD capacity yet to be executed
13	Hirekeruru	3.520	No	septic tank /open drain	Agricultural fields	Proposal to construct STP of 2.44 MLD capacity yet to be executed
14	Kumta	4.156	No	Septic tank/leach pits/Soak pit/open drain	Back waters/ Arabian Sea	Proposal to construct STP of 4.60 MLD capacity yet to be executed.

***considering 110 Litres Per Capita per Day on intermediate population**

Appendix-18

(Referred to in Paragraph No. 2.13.6)

Results of joint physical verification of projects, where STPs were not completed

ULB	Observation	Photographs of environmental damage
Kundapura	• The untreated sewage generated in Kundapura town discharged at Badasha area and Church Road are directly discharged into Pancahagangavali river without any treatment. • Karnataka State Pollution Control Board (KSPCB) issued instructions (June 2016) to Director, Municipal Administration, Bengaluru to take action to stop the untreated sewage discharged directly to the river. • Joint inspection (March 2021) revealed that the status continues to be the same due to non-construction of wet wells and STP to treat the sewage.	 **Picture 1: Untreated sewage mixing with river water.**
Nanjanagudu	• Sewage water from households was left directly to the drains connected to the irrigation canal at Shankarapura resulting in mixing with Kapila river waters. • The reports of river water quality monitoring cell of KSPCB revealed a high percentage of e-coli or Thermotolerant Coliform (TC) bacteria in a stretch of 5 KM from Nanjanagudu to Hejjige. The TC count of 1700 Most Probable Number (MPN)/100 ml recorded during December 2020 was higher than the safe limit of 500 MPN/100 ml prescribed for open bathing.	 **Picture 2: Polluted water from open drain joining the irrigation canal.**
Madikeri	• Sewage generated was let out to the storm water drain which finally joins river Cauvery which is the main drinking water source of Bengaluru and Mysuru cities. • Though the Board has spent ₹ 25.86 crore for providing UGD system in Madikeri, the objective of cleansing Cauvery river from sewage water was not achieved.	 **Picture 3: Polluted water flowing through storm water drain which leads to water body**

Appendix – 18 (Contd.)

ULB	Observation	Photographs of environmental damage
Bantwala	• The Bantwala town which generates 5.4 MLD sewage had no functioning STPs and the entire sewage was stored in septic tank/soak pit. • Overflow from these soak pits during rainy season joins the Netravati river through open drains. The Thumbe dam built across Netravati river was the main drinking water source of Mangaluru city.	 **Picture 4: Polluted water flowing through nallah which merges with Netravati river**
Hirekeruru	• The sewage water generated from households and commercial establishments in the city was flowing untreated down the storm water drain which ultimately joins the water body / agricultural fields	 **Picture 5: Sewage water flowing through open drains which leads to agricultural fields**

Appendix-19

(Referred to in Paragraph No. 2.15)

Statement showing poor progress in recovery of mobilisation advances.

(Amount in ₹)

Sl. No	Name of the Division	Name of the Work	Name of the Agency	Tender Amount	Stipulated date of completion	Date of Release of Mobilisation Advance	Mobilisation Advance Released	Total Recovery (as of 31-03-2021)	Balance to be recovered	Percentage of recovery	Loss of Interest (up to 31-03-2021)
1	No.2 Division, Bengaluru	Construction of 252 (G+3) under Fast Track technology at M.R JayaRam slum, Malleswaram constituency, Bengaluru	M/s Maverick Holdings & Investments (I) Pvt Ltd. Bangalore	14,00,14,773	05-11-2018	16-05-2017	1,40,01,477	0	1,40,01,477	0	16,28,391
2	No.3 Division, Bengaluru	Construction of 588 (G+3) at different 2 slum at Rajarajeswarinagar constituency, Bengaluru	M/s Maverick Holdings & Investments (I) Pvt Ltd. Bangalore	33,00,49,600	25-06-2020	07-07-2018	1,50,82,200	0	1,50,82,200	0	12,37,154
3	Dharwad Division	Construction of 1292 houses (G+3) at 5 different slums in Dharwad	M/s Gowri Infra Engineers	77,75,03,000	31-05-2020	28-08-2018	3,54,00,000	0	3,54,00,000	0	27,52,471
4	No.2 Division, Mysuru	Construction of 1344 Houses (G+3) Under PMAY-HFA in Krishnaraja Constituency , Mysuru	M/s Gowri Infra Engineers	78,01,88,000	01-02-2021	03-06-2019	3,45,84,000	0	3,45,84,000	0	18,95,961
5	No.1 Division., Bengaluru	Construction of 931(GF) houses at Jayanagar, Chamrajpet & Chikpet constituency, Bengaluru	M/s Maverick Holdings & Investments Pvt Ltd. Bangalore	52,73,81,439	17-11-2019	07-07-2018	2,31,81,900	31,17,248	2,00,64,652	13	16,45,851
6	No.1 Division, Bengaluru	Construction of 1378 (GF) at different 11 slum at Vijayanagar constituency, Bengaluru	M/s Gowri Infra engineers Pvt., Ltd., Bangalore	79,20,99,000	31-05-2020	07-08-2018	3,59,00,000	91,60,316	2,67,39,684	26	21,25,255
7	No.1 Division, Bengaluru	Constructrion of 1607 (GF) at different 6 Slums , Vijayanagara and Govindaraja nagara constituency , Bengaluru	M/s Gowri Infra engineers Pvt., Ltd., Bangalore	89,75,33,000	01-06-2020	05-11-2018	4,20,00,000	96,45,172	3,23,54,828	23	23,32,207

Appendix – 19 (Contd.)

Sl. No	Name of the Division	Name of the Work	Name of the Agency	Tender Amount	Stipulated date of completion	Date of Release of Mobilisation Advance	Mobilisation Advance Released	Total Recovery (as of 31-03-2021)	Balance to be recovered	Percentage of recovery	Loss of Interest (up to 31-03-2021)
8	No.1 Division, Bengaluru	Construciton of 1845 (GF) houses at different 6 slums, Govindaraja Nagar constituency, Bengalore	M/s. Gowri Infra engineers Pvt., Ltd., Bangalore	1,04,88,25,000	01-06-2020	18-07-2018	4,81,00,000	1,29,86,346	3,51,13,654	27	28,48,535
9	No.2 Division., KSDB, Bengaluru	Construction of 616 (GF) at different 4 slums at Sarvagna Nagar Constituency, Bengaluru	M/s. Maverick Holdings & Investments Pvt Ltd. Bangalore	35,03,04,000	27-03-2020	05-10-2018	1,59,60,200	48,16,992	1,11,43,208	30	8,31,619
TOTAL							**26,42,09,777**	**3,97,26,074**	**22,44,83,703**		**1,72,97,444**

Appendix – 20

(Referred to in Paragraph 1.1 of Chapter I of Part II)

List of Public Sector Undertakings

Finance	
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 Infrastructure and 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)
Infrastructure	
26	Karnataka State Construction Corporation Limited (KSCCL)
27	Karnataka Rural Infrastructure Development Limited (KRIDL)
28	Karnataka State Police Housing and Infrastructure Development Corporation Limited (KSPHIDCL)
29	Rajiv Gandhi Housing Corporation Limited (RGHCL)
30	Karnataka Road Development Corporation Limited (KRDCL)
31	Krishna Bhagya Jala Nigam Limited (KBJNL)
32	Karnataka Neeravari Nigam Limited (KNNL)
33	Cauvery Neeravari Nigama Limited (CNNL)
34	Vishveswaraya Jala Nigam Limited (VJNL)

Appendix – 20 (Contd.)

Infrastructure	
35	Bangalore Airport Rail Link Limited (BARL)
36	Tadadi Port Limited (TPL)
37	Hubli Dharwad BRTS Company Limited (HDBRTS)
38	Invest Karnataka Forum (IKF)
39	Tumakuru Machine Tool Park (TMTP)
40	Hubballi Dharwad Smart City Limited (HDSCL)
41	Davanagere Smart City Limited (DSCL)
42	Belagavi Smart City Limited (BSCL)
43	Shivamogga Smart City Limited (SSCL)
44	Tumakuru Smart City Limited (TSCL)
45	Mangaluru Smart City Limited (MSCL)
46	Bengaluru Smart City Limited (BSCL)
47	Bengaluru PRR Development Corporation Limited (BPRRDCL)
48	Rail Infrastructure Development Company (Karnataka) Limited (RIDCKL)
49	Bangalore Suburban Rail Company Limited (BSRCL) (Non-Working)
50	CBIC Tumakuru Industrial Township Limited (CBIC)
Power	
51	Karnataka Power Corporation Limited (KPCL_
52	KPC Gas Power Corporation Limited (KPCGPCL)
53	Raichur Power Corporation Limited (RPCL)
54	Karnataka Power Transmission Corporation Limited (KPTCL)
55	Bangalore Electricity Supply Company Limited (BESCOM)
56	Hubli Electricity Supply Company Limited (HESCOM)
57	Mangalore Electricity Supply Company Limited (MESCOM)
58	Chamundeshwari Electricity Supply Corporation Limited (CESC)
59	Gulbarga Electricity Supply Company Limited (GESCOM)
60	Karnataka Renewable Energy Development Limited (KREDL)
61	Power Company of Karnataka Limited (PCKL)
Service	
62	Karnataka State Tourism Development Corporation Limited (KSTDC)
63	Jungle Lodges and Resorts Limited (JLR)
64	D. Devraj Urs Truck Terminals Limited (DDUTTL)
65	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL)
66	Karnataka Tourism Infrastructure Limited (KTIL)

Appendix – 20 (Contd.)

Service	
67	Karnataka State Road Transport Corporation (KSRTC)
68	Bangalore Metropolitan Transport Corporation (BMTC)
69	North Western Karnataka Road Transport Corporation (NWKRTC)
70	North Eastern Karnataka Road Transport Corporation (NEKRTC)
Others	
71	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited (LIDKAR)
72	Karnataka State Coir Development Corporation Limited (KSCDCL)
73	Karnataka Soaps and Detergents Limited (KSDL)
74	The Mysore Paper Mills Limited (MPM)
75	Karnataka Vidyuth Karkhane Limited (KAVIKA)
76	The Mysore Electrical Industries Limited (MEI)
77	NGEF (Hubli) Limited (NGEFH)
78	Karnataka Silk Industries Corporation Limited (KSIC)
79	Karnataka Silk Marketing Board Limited (KSMB)
80	Karnataka State Textile Infrastructure Development Corporation Limited (KSTDICL)
81	Karnataka State Minerals Corporation Limited (KSMCL)
82	The Hutti Gold Mines Company Limited (HGML)
83	Mysore Sugar Company Limited (MYSUGAR)
84	Mysore Paints and Varnish Limited (MPVL)
85	Mysore Sales International Limited (MSIL)
86	Marketing Communication and Advertising Limited (MCA)
87	Karnataka State Agro Corn Products Limited (KSACPL)
88	Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC)
89	Karnataka State Pulses Abhivridhi Mandali Limited (KSPAML)
90	Karnataka Fisheries Development Corporation Limited (KFDC)
91	Karnataka Sheep and Wool Development Corporation Limited (KSAWDCL)
92	Karnataka Compost Development Corporation Limited (KCDCL)
93	Karnataka Cashew Development Corporation Limited (KCDC)
94	Karnataka Forest Development Corporation Limited (KFDCL)
95	Karnatak State Forest Industries Corporation Limited (KSFIC)
96	Karnataka State Seeds Corporation Limited (KSSCL)
97	Food Karnataka Limited (FKL)
98	Karnataka State Mango Development and Marketing Corporation Limited (KSMDMCL)
99	Karnataka Antharaganga Micro Irrigation Corporation Limited (KAMICL)

Appendix – 20 (Contd.)

Others	
100	Bangalore Bio-innovation Centre (BBC)
101	Karnataka State Small Industries Development Corporation Limited (KSSIDC)
102	Karnataka State Electronics Development Corporation Limited (KEONICS)
103	Karnataka State Beverages Corporation Limited (KSBCL)
104	Karnataka Vocational Training and Skill Development Corporation Limited (KVTSDCL)
105	Karnataka Public Lands Corporation Limited (KPLCL)
106	Karnataka Mining Environment Restoration Corporation Limited (KMERCL)
107	Science Gallery Bengaluru (SGB)
108	Karnataka State Warehousing Corporation (KSWC)
109	Karnataka Agro Industries Corporation Limited (KAIC) (Non-Working)
110	The Mysore Tobacco Company Limited (MTC) (Non-Working)
111	Karnataka Pulpwood Limited (KPL) (Non-Working)
112	The Karnataka State Veneers Limited (KSVL) (Non-Working)
113	The Mysore Match Company Limited (MMC) (Non-Working)
114	The Mysore Lamp Works Limited (MLW) (Non-Working)
115	Mysore Cosmetics Limited (MCL) (Non-Working)
116	The Mysore Chrome Tanning Company Limited (MCT) (Non-Working)
117	NGEF Limited (NGEF) (Non-Working)
118	Karnataka Telecom Limited (KTL) (Non-Working)
119	The Mysore Acetate and Chemicals Company Limited (MACCL) (Non-Working)
120	Vijayanagar Steel Limited (VSL) (Non-Working)

Appendix No. -21

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

Statement showing the department-wise outstanding Inspection Reports* (IRs)

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of outstanding Paras	Year from which outstanding
1	Commerce & Industries	17	42	338	2005-09
2	Co-Operation	1	3	36	2008-11
3	Energy	11	225	1,238	2010-11
4	Forest Ecology & Environment	6	8	50	2007-10
5	Housing	1	3	17	2011-14
6	Infrastructure Development, Ports and Inland Water Transport	5	5	30	2011-14
7	Information Technology, Biotechnology and Science & Technology	3	5	30	2003-08
8	Public Works	2	3	9	2009-12
9	Tourism	2	4	42	2014-15
10	Transport	5	91	563	2010-11
11	Urban Development	3	13	73	2007-10
12	Home	1	3	17	2011-14
	Total	**57**	**405**	**2,443**	

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