Overview

1.Overview of Government Companies and Statutory Corporations

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. 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 2013, the State of Karnataka had 79 working Public Sector Undertakings - PSUs (73 Companies and 6 Statutory Corporations) and 14 non-working PSUs (all Companies), which employed 1.87 lakh employees. The State PSUs registered a turnover of ₹ 37,867.13 crore for 2012-13 as per their latest finalised accounts. This turnover was equal to 7.21 *per cent* of the State Gross Domestic Product indicating the important role played by the PSUs in the economy. The PSUs had accumulated profit of ₹ 1,388.01 crore as per their latest finalised accounts.

Investments in PSUs

As on 31 March 2013, the investment (capital and long term loans) in 93 PSUs was ₹ 69,810.45 crore. Infrastructure Sector accounted for about 54.27 *per cent* of the total investment and Power Sector about 33.18 *per cent* in 2012-13. The Government contributed ₹ 15,058.73 crore towards equity, loans and grants/subsidies in 2012-13.

Performance of PSUs

The working State PSUs earned a profit of ₹ 1,144.33 crore in the aggregate and incurred loss of ₹ 549.04 crore for 2012-13 as per their latest finalised accounts. The major contributors to profit were The Hutti Gold Mines Company Limited (₹ 257.13 crore) and Karnataka Power Corporation Limited (₹ 171.20 crore). Heavy losses were incurred by Karnataka Neeravari Nigama Limited (₹ 235.37 crore), The Mysore Paper Mills Limited (₹ 76.86 crore) and Chamundeshwari Electricity Supply Corporation Limited (₹ 116.27 crore).

Audit noticed various deficiencies in the functioning of PSUs. Cases discussed in the subsequent Chapters of this Report show that there were controllable losses to the extent of ₹ 1,075.66 crore and infructuous investment of ₹ 524.48 crore. The losses could have been minimized or profits enhanced substantially with better management. There is a need for greater professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of working companies needs improvement. During the year, out of 81 accounts finalised, the Statutory Auditors had given unqualified reports on 26 accounts, qualified reports on 49 accounts, adverse reports (which means that accounts did not reflect a true and fair position) for four accounts and Disclaimer of Opinion on two accounts. The compliance of companies with the Accounting Standards remained poor as there were 98 instances of non-compliance in 34 Companies during the year. Reports of Statutory Auditors on internal control of the Companies indicated several weak areas.

Arrears in accounts and winding up

Thirty six working PSUs had arrears of 40 accounts as at end of September 2013. The arrears pertain to the years 2011-12 and 2012-13 only. There were 14 non-working PSUs including seven under liquidation. The Government may take a decision on these non-working Companies.

2. Performance Audits relating to Government Companies

The Report includes observations emanating from the Performance Audits of **'Construction of roads and bridges by Karnataka Road Development Corporation Limited'** and **'Procurement, storage and release of essential commodities by Public Sector Undertakings'.** Executive summaries of the audit findings are given below:

- **Performance Audit on 'Construction of roads and bridges by Karnataka Road Development Corporation Limited'**

The Company

The Company incorporated to construct, erect, build, re-model, repair, execute, develop, improve and maintain express routes, roads and bridges is fully owned by the Government.

Objectives of the Performance Audit

The objectives of the Performance Audit were to assess whether the conceptualization of projects for execution was done properly after adequate study; the process of acquisition of land was speedy; there was transparency in inviting tenders; the projects with private participation were undertaken after fair and objective assessment of the critical elements of financial viability; the projects were managed effectively to achieve the intended results; and the monitoring and controls were adequate and effective.

Audit findings

Brief outlines of our findings are as follows.

Targets and achievements

Major roads for a length of 404.67 Kms were targeted for completion during the five year period 2008-13. The Company had achieved only 86.47 Kms within the scheduled time. Similarly, the Company had completed only four of the nine major bridges as per the schedule. As regards the Projects proposed for implementation with private participation, only Wagdhari to Ribbanpally Road has since been completed (August 2012) and Dharwad-Alnavar-Ramnagar Road is facing the problem of forest clearance. And the Chikkanayakanahalli – Tiptur -Hassan Road was abandoned by the contractor and is now under litigation.

Roads and major bridges

Changes in designs, wrong assumptions, inept estimations and delayed executions

Design changes after award of contracts, wrong estimates and failure to initiate the process of land acquisition resulted in time and cost over run in many cases. Some of them are as follows.

- **In Mysore-Bantwal Road (Package B), the design was changed from two lane (7 metres) to intermediary lane (5.5 metres) and additional works were entrusted to the contractor after award of the contract. Source of material as mentioned in the DPR was not actually available.**
- **Works of Mysore-Bantwal Road (Package-C), approach road to Mangalore Airport and construction of grade separator at Harohalli, Bidadi were awarded without acquisition of land. These works were delayed. Outer Ring Road around Hassan town is still not completed (2013) even after 4 years.**
- **Wrong assumptions in the DPR of bridge on Sagar-Pattagoppa road led to increase in cost of the work by ₹ 6.59 crore and in delay of 3 ½ years.**

Phase bridges

Tendering and award of works

There were irregularities in calling tenders and award of works, instances of non-adherence to the terms of the contracts and reduction in scope of contracts.

Fixation of high pre-qualification criteria created entry barrier. Consequently, competition was curtailed in bidding of contracts. As a result only three contractors *viz.*, L&T Limited, Gammon India Limited and Nagarjuna Construction Company

Limited (NCCL) had qualified for the tenders in all the three phases.

Letters of Intent/Agreements, were issued/entered into without designs and drawings and Bill of Quantities. Payments were made based on certification, without check measurements by the Company in violation of the Government Order (January 2005).

Only 345 out of 496 bridges were completed in Phase II, III and IV within the stipulated contract period. Though the delay in construction of the balance bridges was attributable to contractors, the Company had not levied liquidated damages amounting to ₹13.26 crore.

Projects with private participation

Even though the GoK had announced the proposal of taking up the projects in the State budget for 2005-06 with private participation, the actual implementation of the projects took almost five years.

The Company had proposed to float a Special Purpose Vehicle (SPV) for executing the projects on BOT/BOOT basis. The SPV was to raise resources through commercial borrowings and the State Government was to fund viability gap. The SPV was to collect toll as well. The Government, however, issued order for construction of the roads on BOT basis, without forming SPV, allowing the private partners to toll and appropriate the revenue to themselves during the concession period of 30 years.

Critical elements of financial viability

The concession periods of projects were not determined on project-specific basis giving due consideration to traffic volume, projected traffic and level of service.

Considering the Net Present Value (NPV) of net operating income after tax of ₹ 208.15 crore, ₹ 61.01 crore and ₹ 616.51 crore for Wagdhari-Ribbanpally Road, Dharwad-Alnavar-Ramnagar Road and Chikkanayakanahalli-Tiptur-Hassan Road respectively, the Company should have insisted for shorter concession period, especially in respect of Chikkanayakanahalli-Tiptur-Hassan Road, where the NPV was very high.

Concessionaire raised loans from banks far in excess of project cost

The private partners had projected the cost of the projects to the bankers much higher than the costs approved by the Planning Commission for all the three projects. This had facilitated them to avail more loan (₹ 185.27 crore in total) than required.

Acquisition of land

Notification for acquisition of land under Section 4(1) of the Land Acquisition Act, 1894 was issued 6 months after the date of financial closure of Dharwad-Ramnagar Road. Similarly, the notification for the Chikkanayakanahally-Tiptur-Hassan Road was issued 2 months after the date of financial closure.

Financial Closure

Penalties amounting to ₹ 0.40 crore and ₹ 1.19 crore were not recovered from GVRMP Whagdhari – Ribbanpally Tollway Private Limited and GVRMP Dharwad – Ramnagar Tollway Private Limited respectively for delayed financial closure.

Observations on specific roads having private participation

Wagdhari-Ribbanpally Road

The major portion of the road had only 100 mm of GSB material in the earthen shoulder portion against 200mm as specified in the agreement. The wearing course executed was not as per the scope of work, as the concessionaire had used lower grade '60/70 grade' bitumen (VG 30) in place of Polymer Modified Bitumen.

Dharwad- Ramnagar Road

The project cost was not re-estimated even though scope of work was downsized. The Concessionaire had completed the road in one stretch running through the forest with 5.5 metres carriageway with varying soft shoulders, against the design of 7.5 metres. Owing to this the actual cost and the VGF required should have been reworked. Either the concession period should have been reassessed or the toll reduced.

Chikkanayakanahalli- Hassan Road

Road with Rigid pavement was ₹ 210.74 crore 'with shoulders'. The concession period was proposed to be 20 years after construction period. The decision of the Board of Directors to offer the construction of the road with rigid pavement with concession period of 30 years, in contravention of the proposal of the Technical Committee had resulted in foregoing revenue from the 21st year to 30th year to the concessionaire.

Monitoring of projects

The two tier monitoring mechanism suggested by the Planning Commission for overseeing the implementation of agreed terms and delivery of specified services of the concessionaire agreement has not been implemented.

Funding

We observed that the Company has not been able to generate funds from the envisaged sources and was entirely dependent on budgetary support of the Government.

Even the allotted funds were not fully utilized in any of the years because of the works lingering on.

Conclusion

We concluded that:

- **There were many instances of faulty preparation of estimates, design changes, delay in land acquisition and getting forest clearances, which resulted in time and cost overrun in execution of road and bridge works.**
- **For Phase bridges, the estimates and the designs were prepared by the executing contractors that too after award of contracts, instead of the Company preparing them. The conditions in the contracts were changed subsequent to award of the contract resulting in undue advantage to the contractors. The pattern of quotations indicated bid rotation.**
- **The Company was entirely dependent on the budgetary support of the Government. It did not generate funds from the envisaged sources though the primary purpose of setting up the Company was independent mobilization of funds.**
- **The Company proposed (June 2006) to float special purpose vehicle (SPV) for executing the road projects on BOT/BOOT basis by raising resources through commercial borrowings and to collect toll. However, the Government issued orders for construction of roads through PPP on BOT basis, without forming SPV, allowing the private partner to toll and appropriate the entire revenue to themselves for 30 years. The opportunity for the Government to obtain a return on investment has been lost.**
- **The PPP Projects attracted a lukewarm response. Of the three projects taken up till date (December 2013), two are lingering on after 2 to 3 years.**
- **There were changes in design and use of materials after the three PPP projects were awarded and such expenditure was not factored in the cost of the project. We observed that in view of the likelihood of tolling being reduced on Dharwad-Ramnagar Road, on account of restriction of the road width, there would be significant impact on the project financials.**
- **The decision of the Board of Directors to offer the construction of the Chikkanayakanahalli- Hassan Road with rigid pavement with concession period of 30 years, in contravention of the suggestion of the Technical Committee, had resulted in the Company foregoing revenue from the 21st year to 30th year to the concessionaire.**
- **The two tier monitoring mechanism as envisaged by the Planning Commission has not been put in place. Independent Engineers for supervising the projects were appointed seven months after the stipulated date.**
- **Electronic Data interchanges for analyzing traffic census and sampling are yet to be created.**

Recommendations

We recommend that:

- **As the Company was set up as a Special Purpose Vehicle, it should function accordingly and should generate and expend its own funds for achieving its objectives.**
- **Estimates and design of the roads and bridges projects prepared by Consultants**

and Contractors did not match with actuals. Therefore, these need to be examined and evaluated independently before approval.

- **The practice of entrusting the task of designing and estimating the projects after award of works should be eschewed.**
- **Survey of land and the process of acquisition should be started in advance, once Detailed Project Reports are finalised. An institutional mechanism to co-ordinate the entire process of land acquisition and various clearances is required to be put in place to avoid delays and overruns.**
- **The possibility of executing projects under Joint Venture model through a revenue sharing mode between Company and private partner needs to be explored.**
- **The two-tier monitoring mechanism suggested by the Planning Commission for overseeing the implementation of the agreed terms and delivery of specified services of the concessionaire agreement needs to be implemented at the earliest.**
- **The Electronic Data Interchange for efficient and transparent regulation and management needs to be put in place at the earliest.**

(Chapter 2.1)

Performance Audit on 'Procurement, storage and release of essential commodities by Public Sector Undertakings'

Introduction

Food management in the State Sector has three basic components: procurement of food grains from farmers affording them remunerative prices, distribution of food grains particularly to the vulnerable sections of the society at affordable prices and maintenance of food buffers for food security and price stability. The Decentralised Procurement Scheme (DCP), empowering the States to procure food grains, was introduced in 1997-98. The State of Karnataka came into the scheme in the year 2004-05. The Public Sector Undertakings which undertake the procurement, storage and distribution of food grains in the State are Karnataka Food and Civil Supplies Corporation Limited (KFCSC) and Karnataka State Warehousing Corporation (KSWC)

Profiles of the institutions involved

KFCSC is responsible for procurement of paddy and other coarse grains through Minimum Support Price (MSP) operations and from Central Pool; maintaining the Targeted Public Distribution System(TPDS) and implementing other allied schemes of the Governments such as Sampoorna Grameena Rojgar Yojana, Flood Relief Scheme and Mid-day Meal Scheme.

KSWC is the agency to store food grains and other commodities. KSWC also acts as a procuring agency under the MSP operation as and when directed by the Government of Karnataka. KFCSC is the major user of the storage facilities.

Objectives of the Performance Audit

The performance audit was conducted to ascertain whether estimation of requirements of food grains and its procurement, allotment and off-take were adequate and as per the policies; the activities were efficient and effective; essential commodities were released in time and as per the directions/orders of Government/agencies; and monitoring and internal control systems were adequate, appropriate and efficient.

Requirement of essential commodities

The GoI allotted food grains to the State for 31.29 lakh Below Poverty Line (BPL), including Anthyodaya Anna Yojana (AAY) families. The allotment was at the rate of 29 Kgs of rice for every family.

The GoK, however, had identified BPL cardholders (including AAY) by adopting its own criteria and the number of cardholders determined was 106.13 lakh cardholders as at end of March 2009 and 98.34 lakh cardholders as at end of March 2013. The GoK supplied food grains to the cardholders who were not in the BPL category (as defined by the Planning Commission), categorizing them as 'Extra BPL' (EBPL)

GoK reduced the quantity of supply of rice to BPL card holders (excluding AAY families) from 29 Kgs per cardholder to a maximum of 20 Kgs.

Procurement of rice

Production in the State *vis-à-vis* procurement

The performance of KFCSC, the sole agency vested with the responsibility of MSP operations and procurement of levy rice was poor. It succeeded in procuring only 4.712 (2.37 *per cent*) lakh MTs, against the production of 198.45 lakh MTs in the years from 2008-09 to 2012-13. This situation had resulted in drawing bulk of the requirements from the Central Pool of food grains for supplying to the families coming under BPL and AAY. The production in the State was sufficient to meet the requirement of TPDS.

Procurement of Custom Milled Rice

Hulling and distribution

Hulling was never completed within the dates prescribed by GoI in any of the last four years ended 2012-13. The delays in hulling ranged from 5 months in 2009-10 to 13 months in 2011-12. Hulling for 2012-13 was yet to be completed (December 2013). The distribution of rice to the TPDS after receipt of rice was also delayed.

Economic cost *vis-a-vis* actual

One of the objectives of the DCP was to reduce the cost of procurement and thereby, reduce the subsidy burden on Governments. Our analysis indicated that the procurement of paddy by KFCSC was not economical.

Compared with the economic cost fixed by the GoI of ₹ 18.34 for 2009-10 and ₹ 18.38 for 2010-11 for a Kg of rice for procurement in the

State, the actual cost at the point of release to TPDS was ₹ 22.30 and ₹ 28.79 respectively. The increase in cost was on account of high interest charges incurred for holding stock and excessive charges paid for transportation, milling and storage. The MSP operations in the decentralised set up had only increased the subsidy burden.

The FCI had booked the cost of procurement and distribution of rice as ₹18.27 and ₹ 19.83 per Kg in 2009-10 and 2010-11.

Mill Point Levy Rice

Poor collection

A quantity of 58.70 lakh MTs of paddy was milled in the year 2011-12 and 56.42 lakh MTs in 2012-13, assessed on the basis of the quantum of electricity consumed. In terms of extant of the Levy Order, the millers and dealers were required to make available 13.03 lakh MTs and 12.11 lakh MTs of rice for levy in the two years, which is 33.33 *per cent* of the quantity milled.

The GoK lowered the target for supply of Levy rice to 3 lakh MTs for 2011-12 and 3.5 lakh MTs for 2012-13. The GoK reduced (December 2012) the target for 2012-13 further to 1.5 lakh MTs. The Levy Order, however, did not have a provision to reduce the targets for levy collection.

The actual collection of rice from millers during 2011-12 was only 2.03 lakh MTs and in 2012-13, it was even lesser at 0.59 lakh MTs. There were no initiatives to ensure compliance with the Levy order in terms of the rice procurement from the dealers, in any of the years.

Extra cost on account of failure to meet the levy target

Procurement of targeted quantity of levy rice would have made the State less dependent on the Central Pool (FCI) and reduced the cost of TPDS.

The total quantum of mill point levy rice not collected and/or not offered was 22.52 lakh MTs in 2011-12 and 2012-13. The additional cost incurred for procurement of this quantity from Central Pool was about ₹ 948.61 crore.

Procurement of Maize

Cost of transportation of maize

KFCSC procured 4.22 lakh MTs of maize directly from farmers during 2008-09 and 2009-10 and KSWC procured 1.30 lakh MTs during 2009-10. The quantity of maize procured was sold by FCI through tenders.

The transportation charges paid by KFCSC were 45 *per cent* more than the rates fixed by GoI in 2008-09 and 311 *per cent* in 2009-10. The excess cost incurred worked out to ₹ 9.09 crore

The cost of transportation incurred by KFCSC in 2009-10 was very high (₹ 56.94 per quintal) in comparison to costs of KSWC and KSCMF (₹ 29.73 and ₹ 46.90 per quintal respectively) who were also involved in similar operations in the same year.

Storage

Storage in private godowns

KFCSC had not been initiating action to reserve space in Government owned warehouses for storage of their procurements. KFCSC hired private godowns for storing the food grains.

Distribution

Determination of eligible families for supply of food grains

The State supplied food grains to the cardholders, who were not coming under the BPL category as per the Planning Commission, categorizing them as 'Extra BPL category' (EBPL).

The GoK identified 31.24 lakh cards as excess or fictitious in January 2011. Prior to 2011 these cards were part of the BPL/EBPL categories.

The number of APL cardholders identified by GoK in the State ranged between 52.98 lakh during 2008-09 and 34.99 lakh during 2012-13. While GoI had been supplying rice for supply to APL families as per their assessment on regular basis, those supplies did not reach the APL families.

Supply of Rice, Wheat and Sugar

The GoI had allotted food grains for distribution to BPL and AAY cardholders approved by them at the rate of 35 Kgs per family per month (29 Kgs rice and 6 Kgs wheat per family per month) from April 2002 onwards. GoK had, however, adopted different parameters for distribution of food grains. This system restricted the eligibility of BPL families to a maximum of 23 Kgs.

Electronic weigh bridges at wholesale points

The Commissioner (FCS&CA) directed (June 2010) all the wholesale nominees of the state to install electronic weigh bridge within a period of three months; otherwise, their wholesale trade license was liable to be cancelled. KFCSC has not installed so far stating (June 2013) that no fund was released by the GoK for the purpose.

System lapses in procurement, storage and distribution

We observed that there were system deficiencies in the procurement, storage and distribution processes, which resulted in misappropriation of stock and shortages of food grains. The Company had no system of monitoring the quantity received at procurement centres, quantity handled, quantity of stock/bags loaded in trucks at procurement centres and reconciliation of quantities received at storage point with loaded quantities. The system of checking the quality of food grains procured was also deficient.

Internal Control and Internal Audit

The KFCSC has not devised appropriate Management Information System to generate and disseminate reliable consolidated information of its activities. There were no manuals relating to procurement, accounting and audit. Physical verification of stock procured under MSP Operations was not conducted periodically.

Conclusion

We conclude that:

- **The procurement of rice by KFCSC, the sole procuring agency in the State under DCP and levy schemes, was poor. This had resulted in drawing almost the entire quantity of its requirements from the Central Pool.**
- **The cost of operations had always been on the higher side when compared with the economic cost fixed by GoI, as also with reference to the costs of procurement of FCI.**
- **Hulling and release of food grains were delayed. The various elements of cost such as cost of transportation, cost of carrying inventory, charges for storage and other charges exceeded the limits prescribed by the GoI substantially. There were no efforts to keep the costs in check and keep it at economic level.**
- **The targeted quantity of rice and sugar were not procured from Rice Millers, Dealers and Sugar Mills.**
- **Lack of adequate monitoring and internal control in procurement, storage and release activities resulted in misappropriation, shortage, and procurement of grains of poor quality.**
- **Management Information System in the Company was deficient. Manpower Management, Internal Control System and Monitoring by Management were also deficient.**

Recommendations

We recommend that:

- **The KFCSC should strengthen its procurement mechanism by improving the Decentralised procurement activities to maximise the procurement of rice produced in the State. The Levy Order, 1999 should be enforced.**
- **KFCSC should control the cost of transportation, hulling, and carrying of inventory. In the context of ensuring food security to the people, the abnormal increase in controllable cost is a huge burden on the exchequer.**
- **Hulling of paddy must be completed within stipulated time. The releases of food grains under TPDS should not be delayed.**
- **The system of periodical checking of the quantity and quality of food grains needs improvement. The system of monitoring the records on the arrivals at procurement centres and transfers to storage points needs to be strengthened.**
- **All eligible BPL families should get the quota of food grains as fixed by the GoI. Identification of all eligible beneficiaries through a verifiable and transparent system and weeding out of fictitious cardholders should be a regular feature.**

(Chapter 2.2)

3. Compliance audit observations

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

Unproductive investment amounting to ₹ 147.90 crore.

(Paragraphs-3.1.12, 3.2.7.1, 3.2.7.7, 3.3.3.1, 3.3.3.2, 3.3.4.1, 3.3.4.2, 3.3.4.3, 3.5, 3.8)

Violation of contractual obligations/undue favours to contractors resulted in loss of ₹ 488.42 crore.

(Paragraphs-3.1.10, 3.1.14, 3.2.7.2, 3.2.7.8, 3.2.7.9, 3.3.4.4, 3.3.5.3, 3.3.5.6, 3.4, 3.7)

Non-recovery of dues amounting to ₹ 82.84 crore.

(Paragraphs-3.1.11, 3.1.16, 3.1.17, 3.9.5, 3.9.6, 3.9.7)

Extra avoidable expenses amounting to ₹ 368.78 crore.

(Paragraphs-3.1.9, 3.2.7.3, 3.2.7.4, 3.2.7.5, 3.2.8.2, 3.2.8.3, 3.2.8.4, 3.2.11.1, 3.2.11.2, 3.2.11.3, 3.2.11.4)

Extra expenditure on account of other factors amounting to ₹ 406.39 crore.

(Paragraphs-3.1.13, 3.1.18.1, 3.2.5, 3.2.8.1, 3.3.8, 3.6, 3.10)

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

- The terms of the agreement between **Karnataka Power Corporation Limited** (Company) and Eastern Mining Trading Agency forming the Joint Venture Company called Karnataka EMTA Coal Mines Limited (KECML) for exploitation of captive coal blocks did not safeguard the financial interests of the Company. The Company's share of the coal reserves was valued at ₹ 1.30 crore. A conservative estimate of the value of coal reserves done by Audit was ₹ 9272.58 crore. The generation company paid for superior grade of coal, though the grade of coal in the mines was lower. This resulted in undue financial benefit to EMTA to the extent of ₹ 187.87 crore. The Company had no definite knowledge of cost of mining reported by the joint venture partner. The EMTA had been claiming the entire revenue as cost of mining, leaving a meager balance as profit of the JV. The deposit for mine closure and environment protection measures was not created.

  (Paragraph 3.1)

- On a study of *Implementation of Rajiv Gandhi Grameen Vidyuthikaran Yojana* by **Electricity Supply Companies,** we observed that ESCOMs had prepared DPRs and estimates for works without conducting proper survey and based on outdated data. The projects in X Plan were completed with a delay of 18 to 30 months, while the implementation in XI Plan was still lingering on. Closure proposals were submitted without providing electricity to public places such as schools, hospitals and panchayats. Quantities in excess of requirements and norms were consumed in the projects, increasing costs by ₹ 53.21 crore. ESCOMs incurred additional expenditure of ₹ 71.73 crore on service connections. Monitoring of the projects was not as per the guidelines. The intended goal of providing power for all by 2009 was not achieved even after lapse of four years from targeted date.

(Paragraph 3.2)

- There were many irregularities, inconsistencies and shortfalls in acquisition of land, development of industrial estates and allotment of plots and sheds. Properties were transferred or sold without safeguarding the interests of the institution in **Karnataka State Small Industries Development Corporation,** which had resulted in doubtful recovery of ₹ 13.39 crore.

(Paragraph 3.3)

- The Tungabhadra Minerals Private Limited, a Joint Venture of **Mysore Minerals Limited** and V.M.Salgaocar Brothers Private Limited, Goa, formed to set up iron ore based industry using the ore from the mines of the former, was allowed to mine and sell raw ore. The private partner extracted undue financial advantage, breaching the terms of the agreement. The failure of the Company to take timely action in resuming the leases resulted in loss of ₹ 220.33 crore.

(Paragraph 3.4)

- The **Karnataka State Financial Corporation** was not successful in recovering overdue amount from the borrowers, though it was empowered by law. In many cases, the Corporation delayed the process of recovery even after obtaining favorable court decisions.

(Paragraph 3.9)