Overview

1. Overview of Government Companies and Statutory Corporations

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 2016, the State of Karnataka had 81 working Public Sector Undertakings-PSUs (75 Companies and 6 Statutory Corporations) and 12 non-working PSUs (all Companies), which employed 1.93 lakh employees. The State PSUs registered a turnover of ₹ 53,787.89 crore during the year 2015-16 as per their latest finalised accounts. This turnover was equal to 7.31 *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 ₹ 861.65 crore as per their latest finalised accounts.

Investments in PSUs

As on 31 March 2016, the investment (capital and long-term loans) in 93 PSUs was ₹ 92,573.62 crore. Infrastructure Sector accounted for about 50.27 *per cent* of the total investment and Power Sector about 40.86 *per cent* in 2015-16. The Government contributed ₹ 17,526.50 crore towards equity, loans and grants/subsidies in 2015-16.

Performance of PSUs

The working State PSUs earned a profit of ₹1,425.50 crore in the aggregate and incurred loss of ₹ 1,570.21 crore as per their latest finalised accounts as at the end of September 2016. The major contributors to profit were Mysore Minerals Limited (₹ 245.47 crore), Karnataka Power Corporation Limited (₹ 181.63 crore), Karnataka Power Transmission Corporation Limited (₹ 178.11 crore) and Karnataka Rural Infrastructure Development Corporation Limited (₹ 113.65 crore). Huge losses were incurred by Karnataka Neeravari Nigam Limited (₹ 970.77 crore), Krishna Bhagya Jala Nigam Limited (₹ 135.44 crore) and Gulbarga Electricity Supply Company Limited (₹ 109.86 crore).

We noticed various deficiencies in the functioning of the PSUs. Cases discussed in the subsequent Chapters of this Report indicate that there was a financial effect of ₹ 529.16 crore. The losses could have been minimised or profits enhanced substantially with better management. There is a need for greater professionalism and accountability in the functioning of the PSUs.

Quality of accounts

The quality of accounts of working Government companies needs improvement. During the year, out of 65 accounts finalised, the Statutory Auditors had given unqualified reports on 22 accounts, qualified reports on 40 accounts, adverse reports (which means that the accounts did not reflect a true and fair view) for 2 accounts and disclaimer report (which means that auditor could not form an opinion on the accounts) on one accounts. The compliance with the Accounting Standards by companies remained poor as there were 96 instances of non-compliance in 32 accounts during the year.

Arrears in accounts and winding up

Thirty eight working PSUs had arrears of 57 accounts as at the end of September 2016. The arrears pertained to the years 2013-14, 2014-15 and 2015-16. There were 12 non-working PSUs including five under liquidation. The Government may take a decision on the revival or closure of these non-working Companies.

2. Performance Audits relating to Government Companies

The Report includes observations emanating from the Performance Audits on the **'Implementation of Lift Irrigation Schemes by Karnataka Neeravari Nigam Limited'** and **'Implementation of Restructured Accelerated Power Development and Reforms Programme by the Electricity Supply Companies in Karnataka'.** The Executive summaries of the audit findings are given below:

- **Performance Audit on 'Implementation of Lift Irrigation Schemes by Karnataka Neeravari Nigam Limited'**

Introduction

Lift Irrigation Schemes

Gravity or flow irrigation is a conventional irrigation system wherein water is stored in a dam or barrage or large tanks and drawn for irrigation through canal network. Lift Irrigation Schemes (LIS) are those schemes where pumping machinery is installed on the banks of perennial rivers and streams, seasonal rivers with barrages, in or above the foreshore of storage reservoirs, wells, *etc.* for pumping water and transporting it through a rising main to higher elevations for irrigation of lands where water cannot be supplied by gravity.

Karnataka Neeravari Nigam Limited

The Karnataka Neeravari Nigam Limited (the Company) was established (December 1998) to plan, build, operate and maintain irrigation projects in the Krishna River basin except Upper Krishna Project in the State. The Company was one of the three Special Purpose Vehicles set up by the Government of Karnataka (GoK) for speedy implementation of irrigation projects in the State.

Audit Objectives

The objectives of the Performance Audit were to assess the effectiveness of the Lift Irrigation Schemes by examining whether:

- the LISs were planned and designed properly;
- the LISs were executed as planned and the objectives set out in the schemes were achieved.

Audit Findings

Inordinate delay in materialising LISs

The Government/Company had taken unreasonably longer time for materialising the LISs for their implementation and completion. The scope of work of six of the 13 sampled LISs was modified multiple times due to frequent/multiple changes in scope in terms of irrigation potential, number of lifts, alignment of canals, *etc.* causing cost and time overruns. Though the Government had given administrative approvals to seven out of 13 LISs (Bhima, Hipparagi-4 LISs, Singatalur, Tiluvalli) as early as 1991-92 and 1992-93, no action was initiated for their implementation for more than a decade. The projected cost of 13 LISs had gone up by more than 240 *per cent* as compared to initial proposals, from ₹ 3,549.19 crore to ₹ 12,154.81 crore. The farmers, for whose benefit the schemes were launched, are still awaiting the full extent of the envisaged benefit, with no assurance on when the schemes will be completed. (*Paragraph 2.1.14)*

Creation of excess infrastructure due to ill-planning

The Company constructed lifts under Ainapur LIS and Halyal LIS for creating irrigation potential of 21,962 ha and 20,635 ha respectively at a total cost of ₹ 57.99 crore. The actual irrigation potential was, however, reduced to 7,669 ha and 6,072 ha under these LISs respectively as the beneficiary farmers laid pipe lines directly from the river Krishna for drawing water to their fields after obtaining due permission of the Company in line with the circulars issued by GoK. As a result of creation of lifts without taking cognizance of the reduced irrigation potential due to such permissions, the full benefit of the investment of ₹ 22.10 crore made on the 1st stage lift of Ainapur LIS and ₹ 35.89 crore made on Halyal LIS was not derived as the Company could create only 35 *per cent* and 29 *per cent* of the envisaged potential respectively. (*Paragraph 2.1.15)*

Unsatisfactory progress

- Singatalur Lift Irrigation Scheme (SLIS) was proposed (1986-87) to irrigate 16,188 ha of drought prone areas covering the districts of Koppal, Gadag and Bellary by utilising 5.06 Thousand Million Cubic Feet (TMC) out of allocated 7.64 TMC of water under left and right banks of the river Tungabhadra. The scheme was originally approved (September 1992) for ₹ 63.62 crore for construction of barrage across the river Tungabhadra and two lifts, one each on either side of the river bank. The scope of the scheme had undergone continuous changes and the latest revision proposed (January 2015) for irrigating 1.07 lakh ha including 0.88 lakh ha under micro irrigation at a cost of ₹ 5,768.04 crore. The Company, after a passage of thirty years of the conception of the scheme, could create irrigation potential of only 19,588 ha with an expenditure of ₹ 1,489 crore as of March 2016. The allocated water of 15.99 TMC is largely underutilised as the proposal of micro irrigation covering 87,792 ha was yet to materialise (December 2016). (*Paragraph 2.1.19*)

- Hipparagi Project was conceived (October 1991) to irrigate 59,692 ha at a cost of ₹ 186.70 crore. The scope of the scheme had been changed continuously, the latest revised (August 2016) cost being ₹ 3,330.23 crore for irrigating 74,742 ha. The project comprising four lifts *viz.* Halyal, Ainapur, Karimasuti and Savalgi-Tungal was completed between September 2011 and October 2013, *i.e.* after a lapse of twenty years from its conception. The lift works of Halyal, Karimasuti and Savalgi-Tungal LISs were completed with a delay ranging from six years to seven years beyond the scheduled contract period. The benefit of LISs could not be passed on to the farmers for several years due to delay in completion. (*Paragraph 2.1.20*)

Avoidable expenditure

- There was substantial reduction in actual quantities executed as compared to the estimated quantities (13 to 24 *per cent)* based on which the works were awarded for lift works of five LISs due to change in location and alignment subsequent to award of contracts. This variation in quantities was mainly due to award of contracts without conducting detailed survey. Further, the Company failed to exercise the contractual provision to effect change in contract price due to change in scope of the works. The Company paid the full amount to the contractors irrespective of quantities that were actually executed. The reduction in quantities had not only benefited the contractors but also the Company had to incur avoidable expenditure of ₹ 141.70 crore. (*Paragraph 2.1.23*)

- The Company awarded (December 2014) Gravity Main for Tubachi-Babaleshwara LIS by providing Mild Steel (MS) pipes for a length of 13.37 km. instead of PSC pipes as required by the guidelines issued by WRD. The Technical Subcommittee of the Company, while recommending (June 2012) MS pipes had not given any justification for using MS pipes in deviation from the guidelines. The Company had incurred additional expenditure of ₹ 102.73 crore on account of this deviation which could have been avoided had the work been carried out as per the guidelines. (*Paragraph 2.1.24*)

- The works of the Guddadamallapura LIS consisting of intake channel, jackwell cum pump house, rising main, gravity main and canal network, awarded (September 2005) at a cost of ₹ 46.02 crore was not completed within the scheduled date of completion of May 2007. The Company closed the contract without risk and cost to the contractor which resulted in additional financial burden to the Company to the extent of ₹ 56.68 crore as the balance works were awarded (January 2010/September 2011) at higher cost. (*Paragraph 2.1.26*)

Underutilisation of irrigation potential

Though the Company had created irrigation potential of 1.36 lakh ha as of March 2016, the notification for the command area was issued only for 0.41 lakh ha, which was a mere 30 *per cent* of the total irrigation potential created. The notification for the balance 0.95 lakh ha was not carried out yet, as Field Irrigation Channels (FICs) were not completed. Further, the command area was notified only between 2014-15 and 2016-17 for the potential created between 2010-11 and 2015-16, after a delay upto four years due to delay in completion of FICs. (*Paragraph 2.1.32*)

Conclusions

Audit Objective-1: *Whether the LISs were planned and designed properly?*

- The Company prepared Detailed Project Reports and the initial estimates without conducting detailed survey of field conditions which was not in line with the guidelines issued by the WRD. This had resulted in substantial variations in the scope of the works during the course of execution causing unwarranted cost and time overruns. The cost of the schemes had gone up by more than 240 *per cent* as compared to initial proposals, from ₹ 3,549.19 crore to ₹ 12,154.81 crore. Since the various components of the lift works had not been synchronised, the commissioning of LISs was delayed. Besides, the investments fell idle and farmers were unable to reap the intended benefits.

Audit Objective-2: *Whether the LISs were executed as planned and the objectives set out in the schemes were achieved?*

- The Company failed to create the envisaged irrigation potential within the set time frame. The completed schemes (Halyal, Karimasuti Savalgi-Tungal, Sri Rameshwara and Souparnika) were delayed upto seven years with reference to scheduled dates of completion, while seven LISs (Bhima, Guddadamallapura, Savanur, Shiggaon, SLIS, Tiluvalli and TBLIS) were yet to be completed even after due dates.

- The delay in achieving the envisaged potential can be attributed to the Company's failure to take timely action to close and re-award the incomplete contracts and increase in the scope of works after award. The delay had caused deferment of benefits to the farmers. In addition, the Company incurred avoidable cost of ₹ 386.01 crore on account of violation of contractual provisions and guidelines of WRD.

- There was a shortfall of 55.96 *per cent* in achieving the irrigation potential in 13 LISs and underutilisation of the created potential by 70 *per cent* due to non-completion of FICs. Water User Co-operative Societies were not formed except in two LISs and therefore participatory irrigation management to promote a decentralised and self regulated efficient water management system as envisaged in the State Water Policy did not materialise.

Recommendations

1. The Company needs to conduct detailed survey of field conditions before awarding contracts. Scope of works should be well defined and realistic estimates should be prepared in line with the guidelines issued by WRD.

2. Various components of the LISs should be synchronised as to ensure that all the works are completed in tandem and the schemes are commissioned within the stipulated time frame.

3. Field irrigation channels may be completed in a time-bound manner so that the created irrigation potential can be utilised.

4. Water User Co-operative Societies as envisaged in the State Water Policy may be formed for effective water management.

(Chapter 2.1)

- **Performance Audit on 'Implementation of Restructured Accelerated Power Development and Reforms Programme by the Electricity Supply Companies in Karnataka'.**

Introduction

The Government of India had modified the erstwhile Accelerated Power Development and Reforms Programme during XI Plan (2007-12) as 'Restructured Accelerated Power Development and Reforms Programme' (RAPDRP) with the aim of restoring the commercial viability of the distribution sector by putting in place appropriate mechanism to reduce Aggregate Technical and Commercial (AT&C) losses, establish reliable and sustainable automated systems for collection of base line data, adopt IT in the areas of energy accounting and consumer care and strengthen the distribution network.

The Programme was implemented by Electricity Supply Companies (ESCOMs) in Karnataka in two parts *viz.* Part-A and Part-B. Part-A included the projects for establishment of baseline data and IT applications for energy accounting and auditing and IT based consumer service centres. Part-B included regular distribution strengthening projects.

In Karnataka, 98 towns under Part-A and 81 towns under Part-B of the Programme were sanctioned at a total cost of ₹ 398.71 crore (February 2009) and ₹ 786.58 crore (between March 2010 and June 2010) respectively. Part-A was implemented by all the five ESCOMs *viz.* Bangalore Electricity Supply Company Limited (BESCOM), Chamundeshwari Electricity Supply Corporation Limited (CESC), Gulbarga Electricity Supply Company Limited (GESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Mangalore Electricity Supply Company Limited (MESCOM), while Part-B was implemented by four ESCOMs, except MESCOM.

Audit Objectives

The Audit objectives were to assess whether:

- The planning for implementation of the Programme was adequate;
- The Programme has been implemented in an efficient, effective and economical manner to achieve the intended objectives.

Audit Findings

Implementation of the Programme without completion of pilots

The ESCOMs had taken up implementation of Part-A of the Programme in one town in each of the ESCOMs as pilot project. The ESCOMs issued Detailed Work Awards between February 2010 and May 2010 with a stipulation to complete the same within 12 months. The pilot implementation in respect of four of the five towns selected was completed with delay ranging from two to five years from the scheduled date. On account of non-completion of pilots within the scheduled time, the ESCOMs could not gauge potential hindrances in implementation of Part-A of the Programme in other towns. Implementation in other towns had commenced simultaneously along with pilot towns without resolving the bottlenecks encountered in pilot towns. (*Paragraph 2.2.12*)

Declaration of towns 'go-live' without completion

BESCOM declared (between January 2013 and March 2014) 60 of the 98 towns 'go-live' and the balance 38 towns in March 2016 without ensuring that all the functions in the modules were operational and User Acceptance Test had been run successfully in the production environment, which was not in line with the guidelines issued by Power Finance Corporation (PFC). (*Paragraph 2.2.13*)

DTC metering

The ESCOMs failed to assess whether the existing DTC meters were Device Language Message Specification (DLMS) compliant. Non-compliance of the existing meters with DLMS was ignored by the ESCOMs while deciding (December 2009) to install meters at the unmetered Distribution Transformer Centers (DTCs). This contributed to the delay in the completion of the

Programme as the non-compliant meters continued to be replaced with DLMS compliant meters until 2015-16. (*Paragraph 2.2.16*)

Feeder level metering

The ESCOMs had delayed the decision to replace the feeder level meters which act as input energy points to the project areas and are critical to ascertain AT&C losses. During installation of modems in the meters, ESCOMs observed (May 2016) that data was not being communicated by the existing meters making the assessment of accurate AT&C losses difficult. Meter reading was being taken manually every month and uploaded into the RAPDRP system for determining the AT&C losses in the project areas. Even after this exercise, AT&C loss figures continued to be erroneous due to errors in uploading the data into system. (*Paragraph 2.2.17*)

Failure of modems

Information Technology Implementing Agency (ITIA) installed (August 2010 onwards) 59,520 modems at DTCs, boundary meters and HT consumers under all the five ESCOMs. The ESCOMs found that modems were not communicating the data and perforce they had to procure (June 2015) new modems which were installed by March 2016. As a result, the replacement of meters took almost six years. The day-wise analysis of functioning of modems during the period March 2016 to July 2016 in five ESCOMs revealed that the percentage of modems that were communicating data was very poor. There was not only delay in installation of modems but the installed modems were still to function to their potential. This had delayed the process of analysing the results of meter reading and AT&C losses. *(Paragraph 2.2.19)*

Failure to update the incremental assets

The ESCOMs failed to update the incremental assets and consumers as and when they were added. The ESCOMs took up the job of updation of assets only in January 2015 *i.e.* after a lapse of three years from the scheduled date of completion (February 2012) of Part-A of the Programme, instead of updating the assets simultaneously with their addition. The delay in updation/non-updation of assets into RAPDRP system had resulted in delay in completion of the Programme and determining accurate AT&C losses. (*Paragraph 2.2.21*)

Deficient planning

PFC sanctioned Detailed Project Reports (DPRs) of 81 towns between March 2010 and June 2010 for implementation of the works under Part-B. Considering a reasonable period of six months to finalise the tenders from the date of sanctioning of the DPRs, ESCOMs awarded the contracts after a lapse of five to 21 months, which contributed to delay in completion of the works. The reasons for delay in awarding of works were inclusion of works in the estimates which were not feasible for implementation, multiple revisions of estimates and frequent amendment to terms of contracts, unwarranted cancellation of tenders, *etc*. (*Paragraphs 2.2.24 to 2.2.28*)

Ineffective implementation

The ESCOMs awarded the works under Part-B for strengthening works of electrical distribution network including replacement of consumer electro-mechanical meters with tamper proof electro-static meters between March 2011 and August 2012. The stipulated period of completion ranged from 12 to 24 months from the dates of award of works. The ESCOMs had not only released payments to the contractors in violation of contractual terms but also failed to initiate action on the contractors for the delay in completion beyond the stipulated period. The delay in completion of works ranged from 6 to 38 months. (*Paragraph 2.2.29*)

Violation of contractual provisions

The ESCOMs paid 75 to 92 *per cent* of the value of the material supplied in respect of contracts awarded in three towns *viz.* Ramanagara, Mysuru and Kollegal without the equipment being commissioned which was in violation of the contractual terms. Such extra payment amounting to ₹ 10.53 crore was made (between December 2012 and October 2014) based on the requests of the contractors concerned. (*Paragraph 2.2.32*)

Unviable investment

The guidelines issued by PFC prescribed the criterion of Return on Investment (RoI) to be not less than 10 *per cent* for a town to be eligible for inclusion under the Programme. BESCOM and HESCOM had included three towns (₹ 63.42 crore) and six towns (₹ 14.63 crore) respectively under the Programme though RoI was less than 10 *per cent* rendering the investment possibly unviable. (*Paragraph 2.2.38*)

Avoidable borrowings at higher cost

Three ESCOMs (GESCOM, HESCOM, MESCOM) had received loan of ₹ 57.99 crore from PFC against the eligibility of ₹ 106.04 crore. The received amount was much less than the actual expenditure of ₹ 90.56 crore incurred by these ESCOMs. ESCOMs failed to pursue PFC to release the instalments due though they had spent ₹ 32.57 crore more than the disbursement. Non-receipt of amount due from PFC had forced the ESCOMs to spend out of funds borrowed at higher rate of interest. (*Paragraph 2.2.40*)

Likely financial burden on consumers

The ESCOMs were required to complete the works under Part-A and Part-B within three years from the date of sanction to avail the benefit of conversion of loan into grant. The ESCOMs had received ₹ 276.84 crore under Part-A and ₹ 109.05 crore under Part-B from PFC as of March 2016. Although the scheduled date of completion of the Programme was extended upto March 2016/September 2016, there was no commitment from the Ministry of Power, GoI on conversion of loan into grant in the changed scenario of breaching of the deadlines by ESCOMs. In the event of non-conversion of loan into grant, it is likely that the entire loan availed under the Programme would become a burden on the consumers as the cost is factored into tariff. (*Paragraph 2.2.41*)

Ineffective monitoring

There was no monitoring during 2011-12, 2014-15 and 2015-16 by Distribution Reforms Committee as it did not meet even once at the time when implementation was at critical stage. Monthly meetings held through video conferencing headed by the Energy Department did not identify bottlenecks in implementation in order to resolve them. Similarly, monthly meetings headed by the Managing Directors/Chief Engineers held at ESCOMs level for monitoring Part-B had merely noted the progress achieved and did not identify the problems in execution or resolve them. (*Paragraph 2.2.42)*

Conclusions

Audit Objective-1: *Whether the planning for implementation of the Programme was adequate.*

- The ESCOMs failed to plan the completion of the pilots under Part-A as scheduled. As a result of taking up of Part-A on a large scale without completing the pilots, the bottlenecks in implementation remained unresolved even after a lapse of more than four years beyond the scheduled dates of completion;

- The ESCOMs delayed the award of contracts by five months to 21 months. Inclusion of new items of work without feasibility, frequent amendments to the estimates and bid conditions and cancellation of tenders without justified reasons were the reasons for the delay;

- BESCOM and HESCOM made investments in three and six towns respectively under Part-B although return on investment was less than 10 *per cent* stipulated under the guidelines.

Audit Objective-2: *Whether the Programme has been implemented in an efficient, effective and economical manner to achieve the intended objectives.*

- The IT applications under Part-A have not been stabilized and the ESCOMs were yet to reap the desired benefits *i.e.* establishing reliable and automated sustainable systems for collection of base line data and adopting IT in the areas of energy accounting and consumer care, even after a lapse of four years from the scheduled date. This was owing to pending consumer indexing and asset mapping in respect of incremental consumers and assets, poor functioning of modems fitted at DTCs and Feeders, pending installation of input energy meters at feeder level, *etc.*;

- Owing to incomplete works under Part-A, the ESCOMs were not in a position to assess whether distribution strengthening works done under Part-B had actually yielded the desired results in terms of reduction in AT&C losses and envisaged savings;

- The ESCOMs had violated contractual provisions in making payments towards supply of materials and failed to penalise the contractors for delay in completion or non-completion of the contracts under Part-B. This had not only caused delay in completion of the works ranging from six months to 38 months from the stipulated dates but also caused additional burden on the ESCOMs due to increase in cost;

- The ESCOMs failed to impress upon PFC to release the instalments due in time, which had resulted in avoidable borrowings at higher cost for implementation;

- The Distribution Reforms Committee, responsible for overseeing the implementation of the Programme at State Level, had failed to address the bottlenecks in implementation. The review meetings held at ESCOMs level had merely discussed the progress rather than identifying the problems and resolving them.

Recommendations

1. The ESCOMs may ensure that pilots are completed as per schedule before embarking on large scale implementation of a Programme or Scheme so that any hindrances or bottlenecks can be resolved at the initial stages. The learning from the pilots should be utilised during full scale implementation;

2. Incremental assets and consumers need to be mapped and added to the data base for accurate assessment of AT&C losses;

3. The estimates may be proposed based on the field conditions before inviting tenders;

4. The compliance mechanism to contractual terms should be strengthened;

5. The ESCOMs may ensure proper assessment of viability or otherwise of future capital investments;

6. Various authorities/committees constituted for monitoring the implementation, both at the State and ESCOMs levels, should identify the bottlenecks and resolve the issues in a time bound manner.

(Chapter 2.2)

3. Compliance Audit Observations

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:

Unproductive investment amounting to ₹4.61crore.

(Paragraph 3.10)

Non-recovery of dues amounting to ₹2 crore.

(Paragraph 3.1)

Avoidable expenses amounting to ₹90.56 crore.

(Paragraphs 3.2, 3.3, 3.5, 3.11, 3.12, 3.14)

Miscellaneous and other cases amounting to ₹19.10 crore.

(Paragraphs 3.4, 3.6, 3.7)

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

- Karnataka Power Transmission Corporation Limited Sanctioned Open Access facilities to Shantha Projects Limited without ensuring payment security mechanism had resulted in non-recovery of ₹ 2 crore from a private firm.

(Paragraph 3.1)

- The decision of the Managing Director of Cauvery Neeravari Nigama Limited that the contractor had suffered loss due to reduction in number of visitors to Brindavan Gardens during the contract period without material evidence on record led to undue financial benefit of ₹ 3.31 crore to the contractor.

(Paragraph 3.4)

- Karnataka State Electronics Development Corporation Limited had lost potential revenue of ₹ 15 crore by extending undue favour to franchisees.

(Paragraph 3.7)

- Poor implementation of IBM Mainframe training project by Karnataka State Electronics Development Corporation Limited without analysing the market demand resulted in non-achievement of the intended objectives and a cumulative loss of ₹ 5.78 crore.

(Paragraph 3.8)

- The Central Purchase Committee of Hubli Electricity Supply Company Limited approved and awarded contracts worth ₹ 37.50 crore to an ineligible contractor overlooking the delegated financial powers and violating the Karnataka Transparency in Public Procurement Act and Rules.

(Paragraph 3.9)

- The objective of providing drinking water to five Rehabilitation Centres in Jamakhandi Taluk was yet to be achieved and expenditure of ₹ 4.61 crore was rendered unfruitful due to the failure of Krishna Bhagya Jala Nigam Limited to conclude agreements with the authorities concerned.

(Paragraph 3.10)

- Karnataka State Handicrafts Development Corporation Limited suffered loss of potential revenue of ₹ 2.32 crore due to its failure to conclude an agreement with the Mysore Palace Board.

(Paragraph 3.13)

- Karnataka State Road Transport Corporation and Bangalore Metropolitan Transport Corporation failed to produce new buses as planned as the existing production capacity of Regional Workshops was not sufficient to meet the stipulated targets. The purchase orders for procuring chassis were initiated after commencement of the financial year contributing to shortfall in production of new buses. The Corporations had also failed to undertake repair and reconditioning within the prescribed time, which resulted in cancellation of scheduled kilometres and consequent loss of contribution of ₹ 85.70 crore during 2011-12 to 2015-16.

(Paragraph 3.14)