

## 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 is 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 startups 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 is 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)*

