Report of the
Comptroller and Auditor General of India
on
State Public Sector Enterprises
for the period ended March 2023

Government of Karnataka

Report No. 1 of the year 2025

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Preface

This report deals with the results of audit of State Public Sector Enterprises (SPSEs) for the year ended March 2023.

This Audit Report contains five chapters and one chapter on the findings of compliance audit of SPSEs containing 15 compliance audit paragraphs pertaining to 10 SPSEs coming under the administrative control of Water Resources Department, Energy Department, Commerce and Industries Department, Information Technology and Biotechnology and Science & Technology Department and Home 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 Sections 139 and 143 of the Companies Act, 2013. The accounts, certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under Section 139 (5) and 139 (7) of 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 under section 19 of C&AG's (DPC) Act, 1971. Audit of Statutory Corporations is governed by their respective legislations.

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 2022-23 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 2022-23 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

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.

This Report has six Chapters:- I – Financial Performance of State Public Sector Enterprises, II – Oversight role of CAG, III – Corporate Governance, IV - Corporate Social Responsibility, V – Impact of implementation of Indian Accounting Standards and VI - Compliance Audit Observations on State Public Sector Enterprises.

I – Financial Performance of State Public Sector

There were 127 SPSEs in Karnataka under the audit jurisdiction of the CAG as on 31 March 2023 including 121 Government / Government Controlled Other Companies (of these fourteen are inactive Government companies) and six Statutory Corporations.

(Paragraph 1.1.4.1)

Equity holding in SPSEs

Government of Karnataka (GoK) had contributed ₹ 1,13,005.23 crore towards equity in 106 SPSEs constituting 95.26 *per cent* of the Total Equity amounting to ₹ 1,18,629.01 crore in all 127 SPSEs as on 31 March 2023. This included equity amounting to ₹ 151.37 crore invested in 12 out of 14 non-working SPSEs.

(Paragraph 1.2.1)

Loans

Long term loans amounting to ₹ 10,308.94 crore given by GoK to 30 SPSEs were outstanding as on 31 March 2023, of which, loans amounting to ₹ 444.60 crore were due from nine non-working SPSEs. Further, 15 out 30 SPSEs also had an outstanding interest amounting to ₹ 1,891.62 crore, of which ₹ 1,541.26 crore was outstanding for more than three years.

(Paragraphs 1.2.3, 1.2.4 and 1.5.2)

Asset coverage was negative in 11 SPSEs as the value of assets was lower than the loans outstanding as on 31 March 2023. Interest coverage ratio was lower than one in 26 SPSEs indicating their inability to generate sufficient revenue to meet the interest expenses.

(Paragraphs 1.2.5 and 1.5.1)

Dividend paid by the SPSEs

16 out of 57 profit making SPSEs paid dividend amounting to ₹ 307.46 crore. Nine out of 13 SPSEs, where GoK had infused equity, did not pay the required dividend equivalent to 30 *per cent* of profit after tax (PAT). The dividend payment ranged from 5.89 *per cent* to 25.96 *per cent* of PAT.

(Paragraph 1.4.2)

Analysis of profit earned by SPSEs

The net profit of ₹ 408.72 crore earned by 32 SPSEs was lower than the other income of ₹1,063.80 crore reported for the same period.

(Paragraph 1.6.1)

Return on Capital Employed and Return on Equity

The return on capital employed (RoCE) by all SPSEs taken together was positive during the period of three years 2020-2023 whereas the return on equity (ROE) could not be calculated as there was overall negative net income of SPSEs during the same period.

(Paragraphs 1.6.5 and 1.6.6)

Returns from investment by State Government

The present value of investment as on 31 March 2023 was computed at ₹ 1,92,327.87 crore compared to the historical cost of ₹ 1,13,134.35 crore. The rate of real return (RORR) on government investment was negative on historical cost basis.

(Paragraph 1.7)

Losses incurred and Erosion of capital by SPSEs

56 SPSEs had incurred a loss of ₹ 7,449.75 crore during the year. There were 60 SPSEs with accumulated losses of ₹ 46,814.47 crore as on 31 March 2023. Net worth in 40 out of these 60 SPSEs had been completely eroded as their net worth stood at ₹ (-) 23,297.91 crore against the paid up equity of ₹ 10,695.05 crore.

(Paragraphs 1.8.1 and 1.8.2)

II – Oversight role of CAG

Out of 127 SPSEs under the audit jurisdiction of the CAG, financial statements for the year 2022-23 from only 25 SPSEs were received and certified before 30 September 2023. Total of 233 Accounts of 96 SPSEs were in arrears for various reasons, of which 118 accounts were in arrears for more than three years. Accounts of six statutory corporations are in arrears for the financial year 2022-23.

(Paragraph 2.3.2 and 2.3.3)

Out of 98 financial statements received from 85 SPSEs, 76 financial statements were reviewed and for the remaining 22 accounts non-review certificates were issued for remaining 22 accounts.

(Paragraph 2.5.1)

Financial statements of 13 SPSEs were amended consequent to supplementary audit by CAG, resulting in financial impact of ₹ 357.15 crore on profitability and ₹ 509.55 crore towards changes in assets and liabilities. Reports of statutory auditors on 48 financial statements were revised.

(Paragraphs 2.5.2 and 2.5.3)

Significant comments issued during supplementary audit of financial statements of SPSEs had financial impact of ₹ 88.01 crore on profitability and ₹ 130.45 crore towards changes in assets and liabilities. Significant comments issued during supplementary audit of financial statements of statutory corporations had financial impact of ₹ 241.48 crore on profitability and ₹ 55.36 crore towards changes in assets and liabilities.

(Paragraphs 2.5.4 and 2.5.5)

Non-compliance of Accounting Standards / Indian Accounting Standards in preparation of financial statements was noticed in eight SPSEs (four Government companies and four statutory corporations).

(Paragraphs 2.6.1 and 2.6.2)

III – Corporate Governance

The review covers the compliance of the Corporate Governance provisions by 26 unlisted SPSEs, who had fulfilled at least one applicable criterion on constitution of Board / Committees and establishment of internal audit mechanism.

Twelve SPSEs did not alter their Memorandum of Association / Articles of Association to incorporate changes required or to adopt the applicable forms specified in the first schedule to the Act.

(Paragraph 3.2.1)

Eight SPSEs did not have independent directors and one SPSE did not have women directors on their Boards.

(Paragraphs 3.3.2 and 3.3.3)

Nine SPSEs had appointed full time employed government officers as independent directors and only two SPSEs had imparted training to independent directors.

(Paragraph 3.4.3 and Paragraph 3.4.4)

During the financial year 2022-23, 20 independent directors in 12 SPSEs out of 44 independent directors in 16 SPSEs were not present in one to seven Board

meetings held during their tenure and ten directors in eight SPSEs had failed to attend the AGMs held during the year. Independent directors of 14 SPSEs failed to hold a separate meeting.

(Paragraphs 3.4.5, 3.4.6 and 3.4.8)

Three SPSEs failed to hold the stipulated minimum number of four Board meetings during the year and in six SPSEs gap of more than 120 days was noticed between two Board meetings.

(Paragraph 3.5.1)

Independent directors formed majority in the Audit Committees of 12 SPSEs out of 16 SPSEs who had independent directors on board. Six SPSEs failed to frame the terms of reference for Audit Committees.

(Paragraphs 3.6.1 and 3.6.2)

Ten SPSEs failed to constitute a Nomination and Remuneration Committee and the Committees formed in seven SPSEs failed to formulate criteria and recommend a remuneration policy.

(Paragraphs 3.6.4 and 3.6.6)

Ten SPSEs filed annual returns after periods ranging from 64 days to 283 days against the stipulated 60 days from the date of Annual General Meeting.

(Paragraph 3.9.3)

Out of 21 SPSEs, Seven SPSEs failed to appoint a Company Secretary on a permanent basis. Two SPSEs had not prepared a list of laws applicable to the Company and seven SPSEs admitted to non-compliance of applicable laws.

(Paragraphs 3.10.1 and 3.10.2)

Five SPSEs under energy department are following an outdated KEB internal audit manual formulated prior to their incorporation as companies.

(Paragraph 3.12.1)

IV - Corporate Social Responsibility

The review covers the compliance of statutory provisions related to Corporate Social Responsibility (CSR) activities during the financial year 2022-23 by 22 profit-making SPSEs who had reported aggregate profit in three preceding financial years 2019-20 to 2021-22.

Composition of CSR Committee and Updation of CSR Policy

CSR committees in 11 SPSEs did not have independent directors as members. One SPSE did not formulate a comprehensive CSR policy and only five SPSEs had updated their CSR policies consequent to amendments (January 2021) to CSR Rules.

(Paragraphs 4.4.2 and 4.4.4)

Allocation of funds and Shortfall in expenditure

Twenty-one SPSEs had allocated ₹ 70.22 crore for CSR activities during the year against which only ₹ 50.42 crore was spent. Nine SPSEs had spent ₹ 19.86 crore lower than the allocation made for the year. Five out of nine SPSEs failed to transfer the unspent amount to a specified unspent CSR account.

(Paragraph 4.5.1 and 4.5.4)

Three focus areas, *i.e.,* healthcare, education and rural development, out of 12 areas specified in Schedule VII, accounted for 90 *per cent* of the funds spent.

(Paragraph 4.8.3)

Reporting Disclosure

Six SPSEs failed to adopt the specified format of annexure as per the amended CSR Policy Rules, 2022 for the disclosure of CSR annual report. Twelve SPSEs failed to disclose composition of CSR Committee and 11 SPSEs failed to disclose the details of CSR projects approved by the Board on official website.

(Paragraphs 4.9.1 and 4.9.2)

Monitoring Framework

The CSR Policies of five SPSEs failed to mention any specific monitoring mechanism. 13 SPSEs have failed to obtain utilisation certificates (UCs) for167 activities involving an expenditure of ₹ 37.33 crore.

(Paragraph 4.10.1)

V – Impact of implementation of Indian Accounting Standards

Out of 121 Government / Government controlled SPSEs, 29 SPSEs transitioned from IGAAP framework to Ind AS framework and four SPSEs adopted Ind AS framework in their first financial statements.

(Paragraph 5.3.2)

Exemptions to the retrospective application

Ten SPSEs failed to separately disclose optional exemptions availed for Ind AS adoption. Eighteen SPSEs had availed one to seven optional exemptions.

(Paragraph 5.4.1)

Disclosure of reconciliation statements on first time adoption

Five SPSEs failed to include all three statements of reconciliation (for equity, total comprehensive income, and cash flows). 11 SPSEs failed to include statement reconciliation on cash flows.

(Paragraph 5.4.2)

Impact of implementation of Ind AS on selected key areas

Seven SPSEs failed to make separate disclosure explaining the impact of transition on financial statements.

(Paragraph 5.5)

Impact on Profit after Tax, Revenue, Value of Total Assets and Net Worth

Transition to Ind AS has impacted the profit after tax in 17 SPSEs (net impact - decrease in PAT by ₹ 9,614.05 crore), the revenue in five SPSEs (net impact – decrease in revenue by ₹ 75.14 crore), and the value of total assets in 12 SPSEs (net impact – increase in value of assets by ₹ 1807.16 crore). None of the SPSEs assessed and disclosed the impact on net worth and factors responsible thereon.

(Paragraphs 5.5.1, 5.5.7, 5.5.9 and 5.7)

Non-compliance of disclosure requirements by new SPSEs

Two out of four new SPSEs failed to disclose the factual position on non-presentation of comparative figures in their first financial statements.

(Paragraph 5.8)

VI – Compliance Audit Observations on SPSEs

The observations included in this Chapter highlight deficiencies in planning, contract management and other activities in the management of SPSEs, which resulted in financial irregularities.

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

Karnataka State Electronics Development Corporation Limited *(KEONICS)* was established in 1976 with the sole objective of promoting electronics industries in Karnataka and was mandated to provide infrastructure for IT industries, IT education to the masses and state-of-the art products and service for e-Governance. GoK, from time to time, exempted all the Government Departments and institutions from tendering process stipulated under the Karnataka Transparency in Public Procurements Act (KTPP Act) in procurement of IT equipment from KEONICS. Audit analysis of procurement and supply of equipment by KEONICS to Government Departments/institutions between April 2018 and March 2023 revealed the following irregularities:

- The procuring Departments and KEONICS violated the conditions of exemption granted by GoK under KTPP Act and procured non-IT equipment. During procurement of equipment, prescribed monetary limits were breached by splitting the purchase orders.

- KEONICS enrolled suppliers called Business Associates (BAs), who would procure and supply equipment to various Government Departments and institutions. However, Audit observed that there was no transparency in enrolment of BAs and KEONICS did not enroll Original Equipment Manufacturers (OEMs) or Authorised Dealers of OEMs as BAs. Further, KEONICS did not enter into 'Rate Contract' agreements with BAs as required under the exemption Notification issued by GoK under KTPP Act. KEONICS also permitted BAs to directly approach user Departments/Institutions to obtain orders.

- KEONICS procured and supplied equipment at highly inflated rates than the prevailing market price of the equipment. Cross verification of price with maximum retail price (MRP) printed on the boxes in which equipment were delivered by BAs, websites, etc. in respect of procurement (value: ₹ 75.81 crore) by three user Departments/ institutions revealed that the actual price of the equipment was worth only ₹ 27.84 crore. Thus, procurement through KEONICS caused extra financial burden of ₹ 47.97 crore to the public exchequer.

- Audit scrutiny of the selected sample of 347 POs amounting to ₹ 240.25 crore (of the six selected PEs) revealed that 18 orders of four PEs valuing ₹ 154.44 crore (64.28 *per cent* of sample selected for detailed scrutiny) were split into 195 purchase orders of less than ₹ 1 crore to avail 4(g) exemption and to entrust supply orders directly to KEONICS.

- Audit noticed that payments aggregating to ₹ 9.36 crore were made to BAs without ensuring actual delivery of equipment to the user Department/institution concerned.

- Audit also found issues in KEONICS's third party verification (TPV) system to ensure actual delivery of equipment. Third parties were appointed by the BAs themselves, there were no clear directions/guidelines to TPV personnel from KEONICS, etc. Also, in 155 out of 347 test checked cases, payments of ₹ 85.98 crore were made without conducting the TPV. Audit observed instances where payment was made to BAs on fake delivery challans and fake/forged TPV Reports. Further, TPV was shown to be conducted even before the actual date of delivery of equipment.

(Paragraph 6.1)

Commencement of works without possession of required land by ***Krishna Bhagya Jala Nigam Limited*** resulted in stoppage of works, rendering the expenditure of ₹ 30.00 crore blocked.

(Paragraph 6.2)

Failure of ***Krishna Bhagya Jala Nigam Limited*** to invoke contract condition relating to change in lumpsum price of the contract in accordance with change in scope of work resulted in undue financial benefit of ₹ 29.77 crore to the Contractor.

(Paragraph 6.3)

Adoption of incorrect price indices for regulating price adjustment payments by ***Krishna Bhagya Jala Nigam Limited*** resulted in excess payment of ₹ 5.78 crore.

(Paragraph 6.4)

False certification and fraudulent payment of ₹ 33.95 lakh was made by ***Krishna Bhagya Jala Nigam Limited*** for drain work which was not executed.

(Paragraph 6.5)

Failure of ***Karnataka Power Transmission Corporation Limited*** to verify the suitability of the land allotted for construction of a 220kv substation, resulted in extra-expenditure of ₹ 5.35 crore on construction of retaining wall and other infrastructure to prevent the station from submergence in the backwaters of nearby irrigation tank.

(Paragraph 6.6)

Delay in decision making at various stages resulted in avoidable payment of interest of ₹ 3.97 crore by ***Karnataka Power Transmission Corporation Limited***.

(Paragraph 6.7)

The lapses at various stages resulted in a 15-year delay in project completion, a decade of idling costly equipment and loss of ₹ 3.16 crore by ***Karnataka Power Transmission Corporation Limited*.**

(Paragraph 6.8)

Failure of ***Visvesvaraya Jala Nigam Limited*** to verify the correctness of the electricity bills resulted in excess payment of electricity charges amounting to ₹ 16.89 crore.

(Paragraph 6.9)

The Central Purchase Committee of ***Gulbarga Electricity Supply Company Limited*** approved refund of Liquidated Damages of ₹ 10.26 crore without any valid grounds and ignoring the delays attributable to the contractors, resulting in extension of undue benefit .

(Paragraph 6.10)

Failure of ***KPC Gas Power Corporation Limited*** to re-assess the requirement of start-up power resulted in avoidable expenditure of ₹ 10.17 crore.

(Paragraph 6.11)

Karnataka Neeravari Nigam Limited made advance payment of ₹ 40.16 crore based on fraudulent invoices. This resulted in loss of interest to the tune of ₹ 4.53 crore.

(Paragraph 6.12)

Chapter I

Summary of Financial Performance of State Public Sector Enterprises

Chapter – I

Summary of financial performance of State Public Sector Enterprises

1.1 Introduction

Purpose of Report

1.1.1 The Report presents the summary of financial performance of Government Companies, Statutory Corporations and Government controlled Other Companies. In this Report, an overall picture of the financial performance of Companies / Corporations is given as disclosed[1] by their accounts and information furnished. Impact of significant comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises (SPSEs) conducted by the CAG of India for the financial year 2022-23 (or of earlier years which were finalised during the current year[2]) has also been discussed in Chapter II of the Report.

The Report also provides an insight over the status of adherence by selected SPSEs to the compliance of provisions of Companies Act, 2013 and other applicable Rules on Corporate Governance and Corporate Social Responsibility during the financial year 2022-23 in Chapter III and Chapter IV respectively. The Report also presents, in Chapter V, the status on impact of implementation of Indian Accounting Standards (Ind AS) and compliance with disclosure requirements by the SPSEs who have transitioned from IGAAP (Indian Generally Accepted Accounting Principles) framework or adopted Ind AS in their first financial statements. Findings of Compliance Audit of the SPSEs are included in Chapter-VI of this Report.

Definition of Govt Companies / Corporations

1.1.2 A Government Company is defined in Section 2 (45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by 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 of a Government Company. The body corporates set up by the State Government under certain acts of the Parliament/ State Legislature (Statutory Corporations) have also been categorized as SPSEs.

Besides, any other company[3] owned or controlled, directly or indirectly, 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 is referred to in this Report as "Government Controlled Other Company".

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[1] Six SPSEs did not provide the related information sought. This includes two working companies viz., Karnataka State Medical Supplies Corporation Limited, and Karnataka Handloom Development Corporation Limited.

[2] Latest accounts certified up to 30 September 2023.

[3] Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs *vide* Gazette Notification dated 4 September 2014.

Mandate of audit

1.1.3 Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG of India under the provisions of Section 143(5) to 143 (7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers, and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints Chartered Accountants as statutory auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit.

CAG is the sole Auditor of four transport corporations[4] as per section 33(2) of the Road Transport Corporations Act, 1950. Moreover, supplementary audits are mandated for the Karnataka State Financial Corporation under section 37(6) of the State Financial Corporation Act, 1951 and for the Karnataka State Warehousing Corporation under section 31(8) of the Warehousing Corporations Act, 1962.

1.1.4 SPSEs and their contribution to Gross State Domestic Product (GSDP) of the State

Number of SPSEs

1.1.4.1 SPSEs consist of State Government Companies and Statutory Corporations. SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2023, there were 127 SPSEs in Karnataka, including six Statutory Corporations[5], 102 Government Companies (including fourteen[6] inactive Government companies[7]) and 19 Government Controlled Other Companies under the audit jurisdiction of the CAG. The names of these SPSEs are given in ***Appendix - 1***. Of these Government Companies, one SPSE (The Mysore Paper Mills Limited) is listed on the stock exchange. The 14 inactive SPSEs have investment of ₹ 160.21 crore towards capital (details vide Table No. 1.3) and ₹ 449.39 crore towards long term loans (details vide Table No. 1.5). This is a critical area as the investments in inactive SPSEs do not contribute to the economic growth of the State.

[4] Karnataka State Road Transport Corporation, North Western Karnataka Road Transport Corporation, Kalyana Karnataka Road Transport Corporation (*Previously North Eastern Karnataka Road Transport Corporation*) and Bangalore Metropolitan Transport Corporation.

[5] Karnataka State Road Transport Corporation, North Western Karnataka Road Transport Corporation, Kalyana Karnataka Road Transport Corporation (*Previously North Eastern Karnataka Road Transport Corporation*), Bangalore Metropolitan Transport Corporation, Karnataka State Financial Corporation and Karnataka State Warehousing Corporation.

[6] Karnataka Agro Industries Corporation Limited, The Mysore Tobacco Company Limited, Karnataka Pulpwood Limited, The Karnataka State Veneers Limited, The Mysore Match Company Limited, The Mysore Lamp Works Limited, Mysore Cosmetics Limited, The Mysore Chrome Tanning Company Limited, NGEF Limited, Karnataka Telecom Limited, The Mysore Acetate and Chemicals Company limited, Bangalore Suburban Rail Company Limited, Vijayanagar Steel Limited and Bangalore Airport Rail Link Limited (under voluntary liquidation).

[7] Inactive Government Company means a company which has not been carrying on any business or operation.

Contribution of SPSEs to GSDP of the State

1.1.4.2 The ratio of turnover of the SPSEs to the GSDP shows the extent of activities of the SPSEs in the State economy. The details of turnover of SPSEs and GSDP for a period of three years ending 31 March 2023 are given in **Table No. 1.1** below:

Table No. **1.1**: **Details of turnover of SPSEs *vis-à-vis* GSDP of Karnataka**

(₹ in crore)

Sl. No.	Particulars	2020-21	2021-22	2022-23
1	Number of SPSEs / Corporations	124	125	127
2	Turnover[8]	77,636	77,410	88,825
3	GSDP of Karnataka[9]	16,25,073	19,62,725	21,81,217
4	Percentage of Turnover to GSDP of Karnataka	**4.78**	**3.94**	**4.07**

The contribution of SPSEs to GSDP is marginal in all three years.

1.2 Investment in Government Companies and Corporations and Budgetary Support

The total investment in SPSEs was ₹ 2,17,953.64 crore consisting of ₹ 1,18,629.01 crore equity and ₹ 99,324.63 crore borrowings (loans), as at 31 March 2023. The details of investments are given in the subsequent paragraphs.

Equity holding in SPSEs

1.2.1 The State Government has contributed ₹ 1,13,005.23 crore towards equity in 106 SPSEs constituting 95.26 *per cent* of the total equity amounting to ₹ 1,18,629.01 crore in all 127 SPSEs as on 31 March 2023. Total equity in 106 SPSEs stood at ₹ 1,13,654.21 crore and percentage of State Government equity against the same was 99.43 *per cent.*

The sector-wise contribution in equity by State Government and the percentage of such contribution to Total Equity of 106 SPSEs as well as to each sector is shown in **Table No. 1.2** below:

Table No. 1.2: **Sector-wise investment in SPSEs towards State Equity**

(₹ in crore)

Sl. No.	Name of the Sector	Total Equity		State Government Contribution*			Percentage of State Govt Contribution to Total Equity	Sector-wise percentage of State Govt Contribution
		No of SPSEs	Amount	No of SPSEs	Total Equity	State Equity		
1	Power	11	18,815.04	8	15,048.61	15,048.61	100.00	13.32
2	Finance	26	3,816.35	24	3,815.84	3,721.49	97.53	3.29
3	Service	10	2,350.03	10	2,350.03	2,300.91	97.91	2.04
4	Infrastructure	27	92,870.04	19	91,671.36	91,250.46	99.54	80.75
5	Others	53	777.55	45	768.37	683.76	88.99	0.61
Total		**127**	**1,18,629.01**	**106**	**1,13,654.21**	**1,13,005.23**	**99.43**	**100.00**

Source: Information / data furnished by SPSEs

*** Includes State Government equity of ₹ 3,291.92 crore out of total equity amounting to ₹ 3,347.82 crore in six Statutory Corporations.**

[8] Updated figures adopted for FY 2020-21 and FY 2021-22 duly considering interest income of two SPSEs which were not considered as revenue from operations earlier.

[9] Updated figures adopted for FY 2020-21 and FY 2021-22.

State Government has mainly infused funds in infrastructure sector (80.75 *per cent*) followed by power sector (13.32 *per cent)*.

Equity holding in non-working SPSEs

1.2.2 Equity of ₹ 160.21 crore was invested in 12 out of 14 non-working SPSEs as at the end of March 2023. Out of this, State Government invested ₹ 151.37 crore towards their equity as detailed in **Table No. 1.3** below:

Table No. 1.3: **Statement showing investment towards equity in non-working SPSEs**

(₹ in crore)

Sl. No.	Name of SPSE	State Govt Contribution	Equity contribution by others	Total Equity
1	Karnataka Agro Industries Corporation (KAIC)	55.90	0.00	55.90
2	The Mysore Tobacco Company Limited (MTC)	0.62	0.15	0.77
3	Karnataka Pulpwood Limited KPL (Pulpwood)	13.91	1.25	15.16
4	The Karnataka State Veneers Limited (KSVL)	0.00	1.00	1.00
5	The Mysore Match Company Limited (MMCL)	0.01	0.04	0.05
6	The Mysore Lamp Works Limited (MLW)	10.76	1.05	11.81
7	Mysore Cosmetics Limited (MCL)	0.01	0.15	0.16
8	The Mysore Chrome Tanning Company Limited (MCT)	0.00	0.76	0.76
9	NGEF Limited (NGEF)	46.51	0.00	46.51
10	Karnataka Telecom Limited (KTL)	0.78	2.22	3.00
11	The Mysore Acetate and Chemicals Company Limited (MACCL)	9.96	2.22	12.18
12	Vijayanagar Steel Limited (VSL)	12.91	0.00	12.91
	Grand Total	**151.37**	**8.84**	**160.21**

Source: Information / data furnished by SPSEs

The equity in remaining two non-working SPSEs (BSRCL and BARL) was nil.

Loans given to SPSEs

1.2.3 As at the end of March 2023, 51 SPSEs had outstanding loans of ₹ 99,324.63 crore consisting of (i) loans amounting to ₹ 89,015.69 crore (89.62 *per cent)* availed from Central Government / other financial institutions and (ii) loans of ₹ 10,308.94 crore (10.38 *per cent*) given by State Government.

The sector-wise break up of Long-Term Loans including the loans given by State Government to 30 SPSEs as on 31 March 2023 is given in **Table No. 1.4** below:

Table No. 1.4: **Sector-wise investment in SPSEs towards Loans**

(₹ in crore)

Sl. No.	Name of the Sector	Total long term loans		State Government loans		Sector-wise Percentage of State Govt loans to total outstanding loans
		No. of SPSEs	Amount	No. of SPSEs	Amount	
1	Power	10	70,996.86	3	1,730.4	2.44
2	Finance	8	866.27	5	71.75	8.28
3	Service	4	1,228.95	0	0.00	0.00
4	Infrastructure	8	23,744.88	3	6,716.09	28.28
5	Others	21	2,487.67	19	1,790.70	71.98
	Total	**51**	**99,324.63**	**30**	**10,308.94**	**10.38**

Source: Information / data furnished by SPSEs

As seen, 06 SPSEs in Infrastructure and Power sector have relied heavily on loans from State Government.

Loans outstanding from non-working SPSEs

1.2.4 Loans amounting to ₹ 449.39 crore pertaining to nine non-working SPSEs were outstanding as indicated in **Table No. 1.5** below:

Table No. 1.5: **Statement showing loans outstanding from non-working SPSEs**

(₹ in crore)

Sl. No.	Name of SPSE	Loan outstanding from State Govt.	Loan outstanding from others	Total loan outstanding
1	Karnataka Agro Industries Corporation (KAIC)	68.98	0.00	68.98
2	The Mysore Tobacco Company Limited (MTC)	1.54	0.00	1.54
3	The Karnataka State Veneers Limited (KSVL)	0.00	1.00	1.00
4	The Mysore Match Company Limited (MMCL)	0.23	0.00	0.23
5	The Mysore Lamp Works Limited (MLW)	120.97	3.50	124.47
6	The Mysore Chrome Tanning Company Limited (MCT)	0.12	0.29	0.41
7	NGEF Limited (NGEF)	239.07	0.00	239.07
8	The Mysore Acetate and Chemicals Company Limited (MACCL)	13.11	0.00	13.11
9	Vijayanagar Steel Limited (VSL)	0.58	0.00	0.58
		444.60	**4.79**	**449.39**

Source: Information / data furnished by SPSEs

The total outstanding loan from state government in these non-working Companies (₹ 444.60 crore) was 98.93 *per cent* of total outstanding loans.

Adequacy of assets to meet loan liabilities

1.2.5 Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/ debts. The coverage of Long-Term Loans by value of Total Assets in 51 working SPSEs which had outstanding loans as on 31 March 2023 is given in **Table No 1.6**.

Table No. 1.6: **Statement showing category-wise asset coverage**

(₹ in crore)

Sl. No.	Category	Positive Coverage (assets>debts)			Negative Coverage (Assets < debts)		
		No of SPSEs	Long Term Loans	Assets	No of SPSEs	Long Term Loans	Assets
1	Statutory Corporations	6	2,674.17	16,014.19	0	0.00	0.00
2	Listed Companies	0	0.00	0.00	1	849.55	396.64
3	Unlisted Companies (Working)	30	77,279.67	2,90,416.49	5	18,071.85	12,919.40
4	Unlisted Companies (Non-working)	4	241.60	342.97	5	207.79	23.16
Total		**40**	**80,195.44**	**3,06,773.65**	**11**	**19,129.19**	**13,339.20**

Source: Information / data furnished by SPSEs

The details of 11 SPSEs where the value of total assets was less than the outstanding Long-Term Loans is given in **Table No. 1.7**:

Table No. 1.7: **Statement showing list of SPSEs with negative asset coverage**

(₹ in crore)

Sl. No.	Name of SPSE	Working Status	Long Term Loans	Assets	Coverage of Assets to Loans (Percentage)
1	Raichur Power Corporation Limited (RPCL)	Working-Unlisted	17,529.14	12663.50	72.24
2	Karnataka Handloom Development Corporation Limited (KHDCL Handloom)	Working-Unlisted	60.13	53.92	89.67
3	Karnataka Silk Marketing Board Limited (KSMB)	Working-Unlisted	22.00	15.16	68.91
4	Karnataka State Agro Corn Products Limited (KSACPL)	Working-Unlisted	24.32	7.26	29.85
5	Karnataka Vocational Training and Skill Development Corporation Limited (KVTSDCL)	Working-Unlisted	436.26	179.56	41.16
6	The Mysore Paper Mills Limited (MPM)	Working-listed	849.55	396.64	46.69
7	Karnataka Agro Industries Corporation Limited (KAIC)	Non-Working	68.98	9.90	14.35
8	The Karnataka State Veneers Limited (KSVL)	Non-Working	1.00	0.00	0.00
9	The Mysore Match Company Limited (MMCL)	Non-Working	0.23	0.03	13.04
10	The Mysore Lamp Works Limited (MLW)	Non-Working	124.47	13.23	10.63
11	The Mysore Acetate and Chemicals Company Limited (MACCL)	Non-Working	13.11	0.00	0.00
	Grand Total		**19,129.19**	**13,339.2**	**69.73**

Source: Information / data furnished by SPSEs

*** The value of assets were not forthcoming for two non-working SPSEs (MACCL and KSVL) whose accounts are in arrears since the year 2002-03 and 2004-05 respectively.**

Market Capitalisation of Equity Investments in Government Companies

1.2.6 As on 31 March 2023, only one SPSE, *i.e.* The Mysore Paper Mills Limited has its shares listed in Bombay Stock Exchange (BSE). During the financial year 2014-15, the company was registered as 'Sick Company' under BIFR following which, the operations of the Company ceased in 2015-16. As notified on 06 June 2017, the shares are not traded consequent to suspension of trading in securities by BSE for non-compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Information on Subsidy, Grants by State / Central Government

1.2.7 Apart from investments through Equity infusion and Long-Term Loans, the State Government also provides financial support to SPSEs in various forms through the annual budget. The budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of these SPSEs for the past three years are shown in **Table No. 1.8.**

Table No. 1.8: **Details regarding budgetary support to SPSEs by State Government**

(₹ in crore)

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
1	Equity[10]	15	8,098.12	31	15,074.36	23	12,334.66
2	Long Term Loans	3	844.31	5	860.08	5	512.21
3	Grants / Subsidy[11]	46	24,316.41	55	33,220.97	61	31,509.56
	Total		**33,258.84**		**49,155.41**		**44,356.43**
4	Waiver of loans and Interest	0	0	0	0	0	0
5	Guarantees issued	9	8,887.37	11	6,180.03	11	12,112.92
6	Guarantee Commitment	16	26,812.70	20	31,411.51	19	35,452.08

Source: Information / data furnished by SPSEs

Audit observed that the long term loans disbursed during 2022-23 included ₹78 crores given to Karnataka State Warehousing Corporation for servicing a loan taken from NABARD. However, the Government Order towards release of this Government loan did not specify the rate of interest or schedule of loan repayment.

1.3 Disinvestment, Restructuring and Privatisation

Disinvestment

1.3.1 The State Government approved (May 2022) closure of Bangalore Airport Rail Link Limited through voluntary liquidation and the unspent amount of ₹ 1.17 crore has been remitted (March 2023) by the Company to the shareholders (GoK and KSIIDC).

Restructuring

1.3.2 The State Government has directed (August 2022) the creation of a new Company (Karnataka Forest Corporation Limited) through merger of three companies *i.e.,* Karnataka State Forest Industries Corporation Limited, and Karnataka Cashew Development Corporation Limited with Karnataka Forest Development Corporation under the purview of Forest, Ecology and Environment Department, Government of Karnataka. The process of merger / amalgamation had not been completed till December 2023.

Privatisation

1.3.3 There were no instances of privatisation of Government Companies during the financial year 2022-23.

[10] Figures for FY 2021-22 were updated based on revised figures furnished by SPSEs.
[11] Figures were updated based on revised figures furnished by SPSEs.

1.4 Returns from Government Companies and Corporations

Profit earned by SPSEs

1.4.1 As per their latest certified accounts, 57[12] SPSEs reported profit of ₹ 3132.14 crore in 2022-23 when compared to profit of ₹ 2608.22 crore reported by 55 SPSEs in 2021-22. The Return on Equity (RoE) of the 57 SPSEs increased to 14.80 *per cent* in 2022-23 as compared to RoE of 6.70 *per cent* in 55 SPSEs during 2021-22. The RoE for all the 127 SPSEs in 2022-23, including 56 loss making SPSEs, was (-) 6.96 *per cent*.

The details of top three SPSEs which contributed maximum profit during the year 2022-23 are summarised in **Table No. 1.9** below:

Table No. 1.9: Top three SPSEs which contributed maximum profit

(₹ in crore)

Sl. No.	Name of SPSE	Net profit earned	Percentage of Profit to total SPSEs profit
1	Karnataka Power Transmission Corporation Limited (KPTCL)	828.61	26.46
2	Karnataka State Minerals Corporation limited (KSMCL)	790.92	25.25
3	Karnataka State Investment and Infrastructure Development Corporation (KSIIDC)	269.78	*8.61*
	Total	**1,889.31**	**60.32**

Source: Latest Financial Statements of SPSEs.

The net profit of ₹ 1,889.31 crore contributed by above three SPSEs constituted 60.32 *per cent* of total profit of ₹ 3,132.14 crore by 57 SPSEs.

Dividend paid by the SPSEs

1.4.2 The guidelines[13] formulated (November 2021)[14] by the State Government, and subsequently notified (October 2022)[15] through an order, stipulates that Board of Directors of SPSEs' which are wholly owned or partially financed by the GoK shall decide the payment of dividend of not less than 30 *per cent* of the profit after tax in a particular year duly considering its operational and financial performance, advice of the GoK and other related matters. Out of 127 SPSEs in the State, GoK has infused equity in 106 SPSEs (including six Statutory Corporations). The details of dividend payout by SPSEs in last three years are shown in **Table No. 1.10** below:

[12] Out of 57 Profit making SPSEs, Accounts of 36 SPSEs were in arrears for one year and Accounts of 10 SPSEs were in arrears for two or more years

[13] Original guidelines issued in May 2003 had been replaced by a Circular dated 29.03.2021 envisaging dividend payout of 30 *per cent* of profit after tax or 5 *per cent* of Net worth whichever is higher. The said Circular was withdrawn with issue of a fresh circular envisaging dividend payout equivalent to 30 *per cent* profit after tax (PAT).

[14] Finance Department Circular dated 25.11.2021.

[15] Government Order dated 19.10.2022.

Table No. 1.10: Dividend Payout of SPSEs

(₹ in crore)

Sl. No.	Year	Total No. of SPSEs	Total No. of SPSEs which earned Profit	No. of SPSEs which made dividend payout	Paid Up Capital	GoK Equity	Net Profit	Dividend Paid
1	2020-21	124	50	16	208.65	178.11	583.28	59.01
2	2021-22	125	55	18	222.15	191.61	1,116.45	189.35
3	2022-23	127	57	16	220.44	193.13	1,439.37	307.46

Source: Latest Financial Statement of SPSEs.

State Government has infused equity in 13 out of 16 SPSEs which made dividend payout as per latest financial statements certified till September 2023. Of those 13, only four SPSEs[16] made dividend payout equivalent to 30 *per cent* of profit after tax (PAT). Dividend payout by the remaining nine SPSEs[17] was lower than 30 *per cent* ranging from 5.89 *per cent* to 25.96 *per cent* of PAT. No dividend payout was made by two[18] Statutory Corporations which earned profits.

1.5 Debt Servicing and legal compliances

Interest Coverage Ratio

1.5.1 Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An ICR of below one indicated that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of SPSEs, which had outstanding loans during the period from 2020-21 to 2022-23 are given in **Table No. 1.11**.

Table No. 1.11: Interest Coverage Ratio

Sl. No.	Year	Total Interest paid (₹ in crore)	Total Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having liability of loans from Government, and other financial institutions	Number of companies having interest coverage ratio more than one	Number of companies having interest coverage ratio less than one	Number of companies whose interest coverage ratio could not be calculated
1	2020-21	9,285.89	5,041.69	52	15	24	13
2	2021-22	9,887.90	1,873.97	52	17	23	12
3	2022-23	10,344.07	7,452.80	51	13	26	12

Source: Latest Financial Statement of SPSEs.

[16] Karnataka State Minerals Corporation Limited, Karnataka Rural Infrastructure Development Limited, Karnataka State Small Industries Development Corporation Limited and Karnataka State Beverages Corporation Limited.

[17] Karnataka Soaps and Detergents Limited, The Mysore Electrical Industries Limited, Karnataka Silk Industries Corporation Limited, The Hutti Gold Mines Company Limited, Mysore Paints and Varnish Limited, Mysore Sales International Limited, Karnataka State Seeds Corporation Limited, Karnataka State Police Housing and Infrastructure Development Corporation Limited and Karnataka State Electronics Development Corporation Limited.

[18] Karnataka State Warehousing Corporation and Karnataka State Financial Corporation.

Further, since 2020-21, the number of SPSEs having ICR of less than one has increased from 24 to 26. Only 13 SPSEs had ICR of more than one and for the remaining 12 SPSEs, ICR could not be calculated due to 'nil value' either in interest expenses or EBIT.

Age-wise analysis of Interest outstanding on principle due but not repaid

1.5.2 As stated in ***Para 1.2.3***, 30 SPSEs had an outstanding State Government loan amounting to ₹ 10,308.94 crore as on 31 March 2023. Out of these 30 SPSEs, 15 SPSEs also had an interest component amounting to ₹ 1,891.62 crore outstanding on loan provided by State Government, age wise analysis of which is depicted in **Table No. 1.12**:

Table No. 1.12: Statement showing age-wise analysis of outstanding interest on State Government loans.

(₹ in crore)

Sl. No.	Category	No of SPSEs	Interest amount outstanding	Interest outstanding for less than one year	Interest outstanding for one to three years	Interest outstanding for more than three years
1	Working-listed	1	85.00	0.00	0.00	85.00
2	Working-Unlisted	8	75.75	8.91	19.22	47.62
3	Non-Working	5	1,581.02	77.23	245.00	1,258.79
4	Working – Statutory Corporation	1	149.85	0.00	0.00	149.85
	Grand Total	**15**	**1,891.62**	**86.14**	**264.22**	**1,541.26**

Source: Information / data furnished by SPSEs.

Out of the total outstanding interest, 83.58 *per cent* (amounting to ₹ 1581.02 crore) pertains to five non-working SPSEs.

1.6 Operating efficiency of Government Companies

Analysis of profit earned by SPSEs

1.6.1 As stated in ***Para 1.4.1***, 57 SPSEs (including four non-working SPSEs and two statutory corporations) reported a profit of ₹ 3,132.14 crore as per their latest financial statements certified up to 30 September 2023.

Audit analysis of total revenue (revenue from operations plus other income) reported by these SPSEs for relevant years revealed that net profit of ₹ 408.72 crore earned by 32 SPSEs[19] (including one Statutory Corporation) was lower than the other income amounting to ₹ 1,063.80 crore reported by concerned SPSEs (***details in Appendix - 2***) and therefore, did not represent the operating profit.

Performance of listed SPSE with Private Companies

1.6.2 One listed SPSE (The Mysore Paper Mills Limited) in Karnataka, mainly dealing with paper products, sugar, pulp etc, has no operations since financial year 2015-16. Hence, no comparative analysis with private sector is done.

[19] Revenue from operations in 12 SPSEs was nil.

Sales and Marketing

1.6.3 Out of 113 SPSEs (excluding 14 non-working SPSEs), as per the latest certified financial statements, 77 SPSEs have recorded an operating turnover of ₹ 88,824.61 crore during the year from sale of goods / service rendered as against corresponding turnover of ₹ 77,410.25 crore recorded during the previous year. Remaining 36 SPSEs have not accounted revenue from operations.

The breakup of revenue from operations is given in **Table No. 1.13** below:

Table No. 1.13: Statement showing breakup of revenue from operations

Sl. No.	Category	2021-22			2022-23		
		Company	Statutory Corporation	Grand Total	Company	Statutory Corporation	Grand Total
1	No of SPSEs	70	6	76	71	6	77
2	Domestic	70,206.77	7,182.48	77,389.25	83,188.38	5,609.36	88,797.74
3	Export	21.00	0.00	21.00	26.87	0.00	26.87
4	**Total Revenue from Operations**	**70,227.77**	**7,182.48**	**77,410.25**	**83,215.25**	**5,609.36**	**88,824.61**

Source: Latest Financial Statement of SPSEs

Only two SPSEs (KSDL and MPVL) reported an export turnover of ₹ 26.87 crore.

Expenditure on Research and Development (R&D)

1.6.4 A review of disclosures[20] in Directors' Reports in the latest financial statements revealed that no significant expenditure has been incurred by State SPSEs on research and development. Only one SPSE (MPVL) has incurred an expenditure of ₹ 0.99 lakh during financial year 2022-23 (previous year - ₹ 1.67 lakh).

Return on Capital Employed (RoCE)

1.6.5 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by the capital employed[21]. The details of RoCE during 2020-21 to 2022-23 are given below in **Table No. 1.14.**

Table No. 1.14: Return on Capital Employed

Sl. No.	Year	No. of SPSEs	EBIT *(₹ in crore)*	Capital Employed *(₹ in crore)*	ROCE (in *per cent)*
1	2020-21	124	5,041.69	1,45,117.01	3.47
2	2021-22	125	1,873.97	1,58,153.43	1.18
3	2022-23	127	7,452.80	1,58,382.98	4.71

Source: Latest Financial Statement of SPSEs.

[20] Section 134 (3) of Companies Act, 2013 read with sub-rule (iv) to Rule 8 (B) of Companies (Accounts) Rules, 2014 on technology absorption require disclosure of expenditure incurred on research and development.

[21] Capital Employed *equals* Paid up Share capital *plus* Free Reserves and surplus *plus* Longterm loans *less* Accumulated losses *less* Deferred Revenue Expenditure.

RoCE was positive during 2020-21 to 2022-23 and increased from 3.47 *per cent* in 2020-21 to 4.71 *per cent* in 2022-23. The lower ROCE at 1.18 *per cent* for the year 2021-22 was due to significant decrease in profitability of SPSEs.

Return on Equity by SPSEs

1.6.6 Return on Equity (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company, if both net income and shareholders' funds are positive numbers.

Shareholders' funds are calculated by adding paid up capital and free reserves minus net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means liabilities exceed assets.

The details of net income, shareholders' fund and RoE relating to the SPSEs are given below in **Table No. 1.15**.

Table No. 1.15: Return on Equity relating to SPSEs where funds were infused by the State Government

(₹ *in crore*)

Sl. No.	Year	No of SPSEs	Net Income (PAT)	Shareholders' Fund	ROE *(Percentage)*
1	2020-21	124	-5,259.47	54,429.18	-
2	2021-22	125	-8,839.63	60,956.73	-
3	2022-23	127	-4,317.61	62,056.99	-

Source: Latest Financial Statement of SPSEs.

As the RoE could not be arrived at due to overall negative net income of all SPSEs during the period 2020-2023, the year wise RoE for profit / loss making SPSEs has been computed and tabulated in **Table No. 1.16** below:

Table No. 1.16: Return on Equity relating to profit / loss making SPSEs where funds were infused by the State Government

(₹ *in crore*)

Sl. No.	Particulars	No of SPSEs	Net Income (PAT)	Shareholders' Fund	ROE *(Percentage)*
2020-21					
1	Profit making	50	2,987.00	35,006.81	8.53
2	Loss making	50	-8,246.47	19,379.71	-42.55
3	Others	24	0.00	42.66	0.00
	Grand Total	124	**-5,259.47**	**54,429.18**	
2021-22					
4	Profit making	55	2,608.22	38,912.35	6.70
5	Loss making	50	-11,447.85	22,018.83	-51.99
6	Others	20	0.00	25.55	0.00
	Grand Total	125	**-8,839.63**	**60,956.73**	

Sl. No.	Particulars	No of SPSEs	Net Income (PAT)	Shareholders' Fund	ROE *(Percentage)*
2022-23					
7	Profit making	57	3,132.14	21,172.95[22]	14.79
8	Loss making	56	-7,449.75	40,684.65	-18.31
9	Others	14	0.00	199.39	0.00
	Grand Total	127	**-4,317.61**	**62,056.99**	

Source: Latest Financial Statement of SPSEs.

Audit analysis of RoE data revealed that out of 50 SPSEs who had reported profit in 2020-21, 14 SPSEs recorded losses in 2022-23. During the same period, 12 SPSEs which had recorded losses in 2020-21, reported profits during 2022-23. As per latest certified financial statements, 33 SPSEs had incurred losses in all three years.

The improvement in margin of RoE of 57 profit making SPSEs in 2022-23 is because of change in composition of profit making SPSEs due to inclusion of SPSEs having lower Shareholders' fund.

1.7 Returns from investment by State Government

Return on government Investment in SPSEs (RoI) on historical cost basis

1.7.1 Calculation of return on investment is done on historical cost basis wherein the return on government investment is calculated by dividing the total earnings / losses by the cumulative investment made. For this purpose, apart from the investment in equity, the outstanding interest free loans given by the State Government are also considered as they are akin to equity since they have not been repaid.

Out of ₹ 10,308.94 crore invested by State Government in long-term loans, ₹ 129.12 crore constituted interest free loans. The equity of ₹ 1,13,005.23 crore and interest free loan of ₹ 129.12 crore constitute the total investment of the State Government in these 107 SPSEs (including one SPSE with interest free loan) amounting to ₹ 1,13,134.35 crore at the end of 31 March 2023.

The sector wise return on investment on historical cost basis for the three financial years 2020-21 to 2022-23 is given in **Table No. 1.17**:

Table No. 1.17: **Year-wise details of return on investments based on historical cost for the period from 2010-11 to 2022-23**

(₹ in crore)

Sl. No.	Name of the Sector	No. of SPSEs[23]	Total earnings / losses (-)	Equity and interest free loans as the end of the year	Return on investment *(per cent)*
			2020-21		
1	Power	8	-2,417.18	14,009.66	-17.25
2	Finance	17	-83.40	3,070.83	-2.72

[22] The major change in the quantum of Shareholders' fund of profit making and loss-making entity was on account of two SPSEs i.e. KPCL and CNNL having Shareholders fund of ₹ 10,249 crore and ₹ 8,246 crore respectively, which became loss making in 2022-23.

[23] Includes SPSEs without investment in equity and only interest free loan.

Sl. No.	Name of the Sector	No. of SPSEs[23]	Total earnings / losses (-)	Equity and interest free loans as the end of the year	Return on investment *(per cent)*
			2020-21		
3	Service	10	-973.02	938.23	-103.71
4	Infrastructure	19	-635.30	66,981.54	-0.95
5	Others	44	283.27	681.59	41.56
	Total	**98**	**-3,825.63**	**85,681.85**	**-4.46**
			2021-22		
1	Power	8	-6,017.45	14,321.58	-42.02
2	Finance	21	488.94	3,822.75	12.79
3	Service	10	-1,296.43	1,166.13	-111.18
4	Infrastructure	20	-1,299.59	80,746.03	-1.61
5	Others	46	727.16	718.20	101.25
	Total	**105**	**-7,397.37**	**1,00,774.69**	**-7.34**
			2022-23		
1	Power	8	-2,151.54	15,049.55	-14.30
2	Finance	23	398.87	3,805.35	10.48
3	Service	10	-1,123.03	2,303.91	-48.74
4	Infrastructure	19	-1,825.79	91,252.81	-2.00
5	Others	47	1,037.41	722.73	143.54
	Total	**107**	**-3, 664.08**	**1,13,134.35**	**-3.24**

Source: Latest Financial Statement of SPSEs and Information / data furnished by SPSEs.

The return on State Government investment is worked out by dividing the total earnings of SPSEs with investment of the State Government in the form of equity as well as interest free loan. The overall return on investment of the SPSEs was negative in all the three years. This varied from (-) 4.46 *per cent* in 2020-21 to (-) 7.34 *per cent* in 2021-22 and to (-) 3.24 *per cent* in 2022-23 mainly due to losses incurred by SPSEs in power, service and infrastructure sectors.

As per the latest certified financial statements, 11 SPSEs[24] belonging to different sectors were the major contributors to the overall negative return on investment.

Rate of Real Return on Government Investment (RORR)

1.7.2 Calculation of return based only on historical cost of investment may also not be an accurate indicator of the adequacy of the return as such calculations ignore the Present Value (PV) of money.

The rate of real return (RORR) on Government investment measures the profitability and efficiency with which equity and similar non-interest bearing funds were employed after adjusting them for their time value and assumes significance when compared with the conventional rate of returns which is merely derived from dividing the total earnings / losses by the sum of all such investment counted on historical cost basis.

To bring the historical cost of investments to its present value at the end of each year up to 31 March 2023, the past investments/ year-wise funds infused by the GoK in the SPSEs have been compounded at the year-wise average rate of

[24] Four SPSEs (BESCOM, HESCOM, CESC and GESCOM) in power sector, three SPSEs (KNNL, KBJNL and VJNL) in infrastructure sector and four SPSEs (KSRTC, BMTC, NWKRTC and KKRTC) in service sector.

interest on Government borrowings which is considered as the minimum cost of funds for the concerned year. Therefore, PV of the State Government investment was computed in respect of SPSEs during 2010-11 to 2022-23. The PV of the Government investments has been computed to assess the real rate of return on the assumption that interest free loans have been considered as investment infusion by the State Government as no interest on such loans has been paid by the SPSEs. Further, in those cases where interest free loans given to the SPSEs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year. The funds made available in the form of grants/subsidies have not been reckoned as investment, as they do not qualify to be considered as investment.

The consolidated position of PV of the State Government funds relating to SPSEs is indicated in the following **Table No. 1.18**:

Table No. 1.18: **Year-wise details of funds infused by the State Government and PV of Government funds for the period from 2010-11 to 2022-23**

(₹ in crore)

Sl. No.	Financial Year	PV of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free loans given by the State Government during the year	Total investment at the end of the year	Average rate of interest on Government borrowings[25] (in *per cent*)	PV of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year[26]
(a)	(b)	(c)	(d)	(e)	(f=(c+d+e))	(g)	(h=f×(1+g)/ 100)	(i= f×(g/100))	(j)
1	**up to 2009-10**		28,042.07	17.97	28,060.04	6.70	29,940.06	1,880.02	
2	2010-11	28,487.45[27]	4,604.75	15.94	33,108.14	6.40	35,227.06	2,118.92	988.43
3	2011-12	35,227.06	4,437.83	10.25	39,675.14	6.60	42,293.70	2,618.56	411.19
4	2012-13	42,293.70	4,704.12	0.50	46,998.32	6.60	50,100.21	3,101.89	415.64
5	2013-14	50,100.21	4,076.13	0.00	54,176.34	6.20	57,535.28	3,358.93	-169.62
6	2014-15	57,533.73[28]	4,097.80	3.65	61,635.18	6.50	65,641.46	4,006.29	359.63
7	2015-16	65,641.46	4,199.52	0.00	69,840.98	6.50	74,380.65	4,539.66	-327.18
8	2016-17	74,380.65	5,092.60	0.00	79,473.25	6.30	84,480.06	5,006.81	-28.44
9	2017-18	84,480.06	4,906.14	0.00	89,386.20	7.70	96,268.94	6,882.74	-721.65
10	2018-19	96,268.94	7,215.22	0.00	1,03,484.16	8.20	1,11,969.86	8,485.70	-1,271.33
11	2019-20	1,11,969.86	7,484.45	20.32	1,19,474.63	6.40	1,27,121.01	7,646.38	-1,841.16
12	2020-21	1,27,121.01	8,098.12	17.00	1,35,236.13	6.20	1,43,620.77	8,384.64	-3,825.63
13	2021-22	1,43,620.77	15,074.35	18.49	1,58,713.61	6.00	1,68,236.42	9,522.82	-7,397.37
14	2022-23	1,68,224.89[29]	12,339.66	25.00	1,80,589.55	6.50	1,92,327.87	11,738.32	-3,664.08
	Total		**1,13,005.23[30]**	**129.12**					

Source: Latest Financial Statement of SPSEs and Information / data furnished by SPSEs.

[25] The average rate of interest on borrowing by the State Government is adopted as per the approved Audit Reports of the CAG of India on State Finances, GoK.

[26] Total Earning for the year depicts total of net earnings (profit/loss) as per their latest certified accounts during the respective years relating to those SPSEs where funds were infused by State Government.

[27] The PV of investment made in Bangalore Metro Rail Corporation Limited (BMRCL - ₹ 1,451.16 crore) was excluded from opening balance due to transfer of Audit Jurisdiction to another office and that in Karnataka Small Industries Marketing Corporation Limited (KSIMC - ₹ 1.45 crore) on merger with KSSIDC.

[28] The PV of investment made in Chamundi Machine Tools Limited (CMTL - ₹ 0.86 crore) and Karnataka State Textiles Limited (KSTL - ₹ 0.69 crore) were excluded on liquidation.

[29] The PV of investment made in Bangalore Airport Rail-link Limited (BARL - ₹ 11.53 crore) was excluded on voluntary liquidation.

[30] Represents actual investment in equity as at the end of March 2023 duly excluding equity of BMRCL (₹ 1,360.04 crore), KSIMC (₹ 1.36 crore), CMTL (₹ 0.63 crore), KSTL (₹ 0.50 crore), and BARL (₹ 5.00 crore) as these SPSEs were transferred/merged/liquidated.

The funds infused by the State Government in SPSEs increased to ₹ 1,13,134.35 crore as at 31 March 2023 from ₹ 28,042.07 crore as at 31 March 2010, as the State Government infused equity (₹ 84,963.16 crore) interest free loans (₹ 129.12 crore) during the period 2010-11 to 2022-23. The PV of funds infused by the State Government up to 31 March 2023 worked out to ₹ 1,92,327.87 crore.

During 2010-11 to 2022-23, total earnings for the year were lower than the minimum expected return to recover cost of funds infused in these SPSEs and turned continuously negative since 2014-15. Audit analysis of total earnings indicated that 29 SPSEs have incurred losses in all three financial years during 2020-2023. Out of 29 SPSEs, nine SPSEs[31] have contributed significantly (more than ₹ 100 crore) to the reported losses.

The return on State Government funds (at PV) infused in the SPSEs indicate the profitability and the efficiency of these SPSEs. The return on State Government funds is worked out by dividing the total earnings[32] of these SPSEs by the PV of the State Government investments. Due to overall negative return on investment by SPSEs during 2020-21 to 2022-23 (Refer ***Table 1.18***), the return was not calculated.

1.8 SPSEs incurring losses

Losses incurred by SPSEs

1.8.1 There were 56 SPSEs[33] that incurred losses as per their latest certified accounts. The losses decreased to ₹ 7,449.75 crore compared to losses of ₹ 8,246.47 crore in 2020-21 as given below in **Table No. 1.19.**

Table No. **1.19: Number of SPSEs that incurred losses during 2020-21 to 2022-23.**

(₹ in crore)

Sl. No.	Year	No of loss making SPSEs	Net loss for the year	Accumulated loss	Net Worth[34]
Statutory Corporations					
1	2020-21	5	(-) 985.32	(-) 3,141.26	(-) 2,464.55
2	2021-22	4	(-) 1,282.43	(-) 3,877.52	(-) 2,981.46
3	2022-23	4	(-)1,289.96	(-) 5,912.82	(-) 4,806.56
Government Companies					
1	2020-21	45	(-) 7,261.15	(-) 26,567.37	21,844.26
2	2021-22	46	(-) 10,165.42	(-) 32,951.29	25,000.29
3	2022-23	52	(-) 6,159.79	(-) 31,764.40	45,491.21
Total					
1	**2020-21**	**50**	**(-) 8,246.47**	**(-) 29,708.63**	**19,379.71**
2	**2021-22**	**50**	**(-)11,447.85**	**(-)36,828.81**	**22,018.83**
3	**2022-23**	**56**	**(-) 7,449.75**	**(-) 37,677.22**	**40,684.65**

Source: Latest Financial Statement of SPSEs

[31] Two SPSEs in power sector (HESCOM and CESC), three SPSEs (KNNL, KBJNL and VJNL) in infrastructure sector and four SPSEs being the statutory corporations (BMTC, NWKRTC, KSRTC and KKRTC) in transport sector.

[32] As reported in their latest certified financial statements up to Sept 2023.

[33] 56 SPSEs include eight non-working SPSEs.

[34] Net worth means the *sum total* of the paid-up share capital and free reserves and surplus *less* accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

In 2022-23, out of total loss of ₹7,449.75 crore incurred by 56 SPSEs, significant loss of ₹ 4,417.77 crore was contributed by four SPSEs.[35]

Erosion of capital in SPSEs

1.8.2 As per latest finalised Accounts, there were 60 SPSEs with accumulated losses of ₹ 46,814.47 crore. Of these, 45 SPSEs incurred losses amounting to ₹ 7,231.07 crore and 15 SPSEs did not incur losses, even though they had accumulated loss of ₹ 3,551.88 crore as per their latest certified accounts. Three out of 60 SPSEs were under liquidation[36].

The net worth of 40 out of 60 SPSEs had been completely eroded by accumulated losses and their net worth was either zero or negative (details are indicated in ***Appendix - 3***). The net worth of these 40 SPSEs was ₹ (-) 23,297.91 crore against paid up equity of ₹ 10,695.05 crore as on 31 March 2023. Out of 40 SPSEs, whose capital had been eroded (being zero or negative net worth), six SPSEs had earned profit of ₹ 32.10 crore during 2022-23. In 18 out of 40 SPSEs whose capital had been eroded, State Government loans outstanding as on 31 March 2023 amounted to ₹ 3,131.65 crore.

Recommendations:

1. ***There are 127 SPSEs in Karnataka, out of which fourteen are non-working. These companies are either defunct or at various stages of liquidation. Given the prolonged delay, the Government may speed up the process of winding up the defunct SPSEs, to avoid further strain on public finances.***
2. ***The Government needs to evaluate the business models of loss making SPSEs to address the underlying cause of their financial losses. If the business model is not sustainable, Government may review and consider shutting down/divesting its stake in such companies, especially in those who's net worth has been completely eroded.***

[35] Bangalore Electricity Supply Company Limited, Hubli Electricity Supply Company Limited, Raichur Power Corporation Limited and Karnataka Neeravari Nigam Limited.

[36] The Karnataka State Veneers Limited, Mysore Cosmetics Limited and Bangalore Airport Rail Link Limited (under voluntary liquidation).

Chapter II

Oversight role of CAG

Chapter II

Oversight role of CAG

2.1 Audit of State Public Sector Enterprises

Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company, exercising the powers vested under Section 139 (5) and (7) of the Companies Act, 2013 (the Act). CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some Corporations require that their accounts be audited by the CAG and a report be submitted to the Legislature.

2.2 Appointment of Statutory Auditors of SPSEs by CAG

Sections 139 (5) of the Act, 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 180 days from the commencement of the financial year. In case of a new Government Company, Section 139 (7) of the Act, provides for such appointment within sixty days from the date of registration of the Company.

The statutory auditors of the Government Companies for the year 2022-23 were appointed by the CAG during August / September 2022.

2.3 Submission of Accounts by SPSEs

Need for timely submission

2.3.1 According to Section 395 (1) (a) of the Act, Annual Report on the working and affairs of a State Government Company is to be prepared within three[37] months of its Annual General Meeting[38] (AGM). As soon as may be after such preparation, the Annual Report must be laid before the House or both Houses of the State Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. 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 State.

Section 96 of the Act 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 Act stipulates that the audited Financial Statements for the financial year have to be placed in the said AGM for their consideration.

[37] Time specified in Section 394 (1) (a) of the Companies Act. 2013.

[38] In case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case within a period of six months, from the dateof closing of the financial year *i.e.* 30 September.

Section 129 (7) of the Act, also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Act,.

Taking note of inordinate delay in holding AGM by SPSEs, the State Government fixed (January 2023) a timeline for finalisation of accounts and completion of statutory audit by 30th June, obtaining Board's approval / statutory audit report / CAG comments by 31st August and holding AGM on or before 30 September. The Managing Director, Finance head and / or Accounts head of the Government Company were responsible for ensuring the compliance to the above directives.

102 SPSEs failed to comply with Government directives as their annual accounts remained pending as on 30 September 2023[39], as detailed in the following paragraphs.

Timeliness in preparation of accounts by Companies

2.3.2 As of 31 March 2023, there were 121 Companies under the purview of CAG's audit. Of these, only 85 Companies submitted 98 accounts (including accounts of earlier years) for supplementary audit by CAG and got them certified by 30 September 2023. This included only 25 accounts[40] pertaining to financial year 2022-23.

Overall, 233 Accounts of 96 Companies (77 accounts of five Companies under liquidation, 16 accounts of six defunct Companies and 140 accounts of 85 working Companies) were in arrears for various reasons. The age-wise details of arrears in submission of accounts of 121 Companies are given in **Table No. 2.1**:

Table No. 2.1: Details of arrears in submission of accounts of Companies

Sl. No.	Working Status	Arrears Status	SPSEs with positive net worth		SPSEs with negative net worth		Total	
			No. of SPSEs	No. of Accts	No. of SPSEs	No. of Accts	No. of SPSEs	No. of Accts
1	Working Companies	No arrears	17	0	5	0	22	0
		1 Year	46	46	16	16	62	62
		2 - 3 Years	14	35	3	9	17	44
		> 3 Years	3	14	3	20	6	34
		Total	**80**	**95**	**27**	**45**	**107**	140
2	Non-Working Companies (under liquidation)	No arrears	0	0	0	0	0	0
		1 Year	1	1	0	0	1	1
		2 - 3 Years	0	0	0	0	0	0
		> 3 Years	2	39	2	37	4	76
		Total	**3**	**40**	**2**	**37**	**5**	77
3	Non-Working Companies (Defunct)	No arrears	0	0	3	0	3	0
		1 Year	1	1	2	2	3	3
		2 - 3 Years	0	0	2	5	2	5
		> 3 Years	1	8	0	0	1	8
		Total	**2**	**9**	**7**	**7**	**9**	16

[39] Due date of holding AGM of Companies for the financial year 2022-23 is 30 September 2023 as per the Companies Act. 2013.
[40] Represents number of accounts received and certified by CAG for 2022-23.

Sl. No.	Working Status	Arrears Status	SPSEs with positive net worth		SPSEs with negative net worth		Total	
			No. of SPSEs	No. of Accts	No. of SPSEs	No. of Accts	No. of SPSEs	No. of Accts
4	**Grand Total**	No arrears	**17**	**0**	**8**	**0**	**25**	**0**
		1 Year	**48**	**48**	**18**	**18**	**66**	**66**
		2 - 3 Years	**14**	**35**	**5**	**14**	**19**	**49**
		> 3 Years	**6**	**61**	**5**	**57**	**11**	**118**
		Total	**85**	**144**	**36**	**89**	**121**	**233**[41]

Source: Data compiled by Audit

As seen, 89 accounts are in arrears in respect of 28 out of 36 SPSEs whose net worth has eroded. In total, 118 accounts are in arrears for more than three years by 11 SPSEs (including 34 accounts from six working SPSEs). The SPSE-wise details of arrears in accounts are given in ***Appendix - 4.***

Since the State Government has invested in the form of equity and loans in the SPSEs whose accounts are in arrears, the non-finalisation of accounts by these companies would lead to the Government investments remaining outside the oversight of Audit as well as the State Legislature, thereby making them susceptible to fraud and misappropriation.

Citing non-adherence to the directives issued in January 2023 and as a measure of financial control as well as to ensure financial discipline, State Government has directed (November 2023) all the Government Owned Companies to prepare quarterly financial statements with effect from 01.04.2024 and place audited quarterly financial statements along with draft reports before the Audit Committee, if any, for recommendation and review by Board of Directors.

Timeliness in preparation of accounts by Statutory Corporations

2.3.3 Audit of six Statutory Corporations is also conducted by the CAG. Of these, CAG is the sole auditor for four Statutory Corporations (in transport sector[42]) and for other two[43] Statutory Corporations, CAG conducts supplementary audit after financial statements are audited by statutory auditors.

As on 30 September 2023, Accounts for the year 2022-23 only are in arrears in respect of six (BMTC, KSRTC, NWKRTC, KKRTC, KSFC and KSWC) Statutory Corporations[44], of which net worth has been eroded in four Statutory Corporations in transport sector.

[41] Arrears includes 22 financial statements from 21 Companies (including one non-working Companies) received before September 2023 but under various stages of audit / certification.
[42] BMTC, KSRTC, NWKRTC and KKRTC.
[43] Karnataka State Financial Corporation and Karnataka State Warehousing Corporation.
[44] Accounts of three (BMTC, NWKRTC and KSFC) Statutory Corporations have been received and are under various stages of audit /certification as at September 2023.

2.4 CAG's oversight: Audit of accounts and supplementary audit

Financial reporting framework

2.4.1 Companies are required to prepare the Financial Statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Acts governing such Corporations.

Audit of Accounts of SPSEs by Statutory Auditors

2.4.2 The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of Public Sector Undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power to:

- Issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013; and

- Supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

Supplementary Audit of accounts of SPSEs

2.4.3 The prime responsibility for preparation of Financial Statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under Section 139 (5) or 139 (7) of the Companies Act, 2013 are responsible for expressing an opinion on the Financial Statements under Section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 (5) of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the AGM.

2.5 Result of CAG's oversight role

Audit of accounts of SPSEs under Section 143 of the Companies Act, 2013

2.5.1 98 Financial Statements were received (25 for the year 2022-23 and remaining 73 for earlier years) from 85 Government Companies and audited by CAG as of 30 September 2023. Of these, 76 Financial Statements of Government Companies were reviewed in audit by the CAG and Non-Review Certificate was issued for 22 Government Companies. The results of the review are detailed below:

Amendment of financial statements

2.5.2 Financial Statements of 13 Government Companies were amended as a result of supplementary audit conducted by the CAG before laying the same in the AGM. The financial impact of amendments were: (i) ₹ 357.15 crore on the profitability and (ii) change in assets and liabilities to the extent of ₹ 509.55 crore as detailed in ***Appendix - 5***.

Revision of Statutory Auditors' Report

2.5.3 The statutory auditors' reports on 48 Financial Statements were revised as a result of supplementary audit of the Financial Statements conducted by the CAG as indicated in ***Appendix - 6***.

Significant comments of the CAG issued as supplement to the statutory auditors' reports on SPSEs

2.5.4 The comments issued by CAG during supplementary audit on financial statements of SPSEs had an impact of (i) ₹ 88.01 crore on profitability and (ii) ₹ 130.45 crore on assets/liabilities. The same have been detailed in ***Appendix - 7 and Appendix - 8.***

Significant comments on the accounts of Statutory Corporations where CAG is the sole auditor

2.5.5 The comments issued by the CAG on the accounts of Statutory corporations (where CAG is the sole auditor) had an impact of (i) ₹ 241.48 crore on the profitability and (ii) ₹ 55.36 crore on assets/liabilities The significant comments included by the CAG in Separate Audit Reports (SAR) on the accounts of Statutory Corporations are detailed below:

Karnataka State Road Transport Corporation (KSRTC – FY 2020-21)

- Non-provision for the compensation payable due to revised guidelines in respect of 671 accidental death cases during the period June 2018 to March 2021 has resulted in understatement of liability towards Motor Vehicle Accident claims by ₹ 5.72 crore for 2020-21 and ₹ 25.14 crore for the previous years and understatement of loss for the year to that extent.

- Non-provision for the compensation payable in respect of 36 Motor Vehicle Accident Claim cases awarded before the end of March 2021 has resulted in understatement of liability towards Motor Vehicle Accident claims by ₹ 2.24 crore and understatement of loss for the year to that extent.

Karnataka State Road Transport Corporation (KSRTC – FY 2021-22)

- Non-inclusion of amount of ₹ 2.95 crore, being the interest payable on enhanced compensation awarded by the Hight Court of Karnataka in respect of a land at Doddahunasuru, Hunasuru acquired for construction of bus station has resulted in understatement of liabilities, expenditure and consequent understatement of loss by ₹ 2.95 crore.

- Non-provision for the compensation payable in respect of 68 cases pertaining to Mandya. Mysore Rural, Ramanagara, Chitradurga, Kolar and Bangalore Central Division awarded before the end of March 2021 has resulted in understatement of liability by ₹ 2.79 crore and understatement of loss for the year to that extent.

Bengaluru Metropolitan Transport Corporation (BMTC – FY 2020-21)

- Non provision of ₹124.68 crore being amount payable to KUIDFC as contribution to Revolving Fund under JnNURM guidelines as demanded by KUIDFC has resulted in understatement of liability and consequent understatement of loss by ₹ 124.68 crore.

- Non provision of ₹6.12 crore being amount payable as interest levied on delay in making payment towards building and other construction cess to Karnataka State Building & Other Construction Workers Welfare Board has resulted in understatement of liability, understatement of expenses and understatement of loss by ₹ 6.12 crore.

Bengaluru Metropolitan Transport Corporation (BMTC – FY 2021-22)

- Failure to charge penalty imposed on M/s Ashok Leyland towards low KPML and faulty LED Board and Voice Announcing System in respect of 450 vehicles amounting to ₹11.85 crore has resulted in understatement of claims receivable, understatement of income and overstatement of loss by ₹ 11.85 crore.

- Non-provision of ₹5.51 crore being the interest on the delay in remittance of Labour welfare cess payable to concerned department for the year resulted in understatement of liability, expenditure and consequent understatement of loss by ₹5.51 crore.

Kalyana Karnataka Road Transport Corporation (KKRTC – FY 2021-22)

- Inclusion of penalty/ liquidated damages from the bills of M/s Tata motors, M/s Ashok Leyland and M/s KMS bus body builders under unspecified liabilities has resulted in overstatement of liabilities,

understatement of income and consequent overstatement of loss for the year by ₹ 5.66 crore.

North Western Karnataka Road Transport Corporation (NWKRTC – FY 2021-22)

- Inclusion of ₹ 52.51 crore and ₹ 26.34 crore under receivables towards Student Concession Passes and Senior Citizen concession respectively, pending reimbursement from the Government without any formal assurance has resulted in overstatement of Current assets, understatement of expenditure and understatement of loss by ₹ 78.85 crore.

2.6 Accounting Standards / Indian Accounting Standards

Non-compliance of Accounting Standards/ Ind-Accounting Standards

2.6.1 In exercise of the powers conferred by Section 469 of the Companies Act, 2013 read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government has also notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

Through the supplementary audits, CAG also observed that some companies did not comply with the Accounting Standards/ Ind AS which were not reported by their statutory auditors as given in **Table No. 2.2.**

Table No. 2.2: Non-compliance of Accounting Standards/ Ind AS

Sl. No.	Accounting Standard / Ind-AS No & Description		Name of the Company	Deviation
1	Ind AS 1	Presentation of Financial Statements	Karnataka Food and Civil Supplies Corporation Ltd.	The Corporation has netted off the debit and credit balances while arriving at the balances. The netting off of the balances was not in compliance to the requirements of Ind AS-1.
2	Ind AS 23	Borrowing cost	Karnataka Power Corporation Limited	The Company capitalised interest charges on loan for the period 2020-22 instead of charging off the same as revenue expenditure as per Ind AS 23.
3	Ind AS 36	Impairment of Assets	Karnataka Power Corporation Limited	The Company failed to assess the impairment losses in cases where assets were impaired/dismantled which was not in compliance to Ind AS 36.
4	AS 5	Net Profit or loss for the period, Prior period items and Changes in Accounting Policies	Sr. Babu Jagajivan Ram Leather Industries Development Corporation Ltd.	The Company did not disclose the impact and the adjustments resulting from change in Accounting policy on Depreciation. The same is not in compliance with AS -5.

Source: Data compiled by Audit

Non-compliance of Accounting Standard 15 by Statutory Corporations

2.6.2 Accounting Standard 15 states that liability for employee benefits should be calculated according to the actuarial valuation. In the absence of actuarial

valuation, the adequacy of provision for gratuity and leave encashment made could not be ascertained and ensured in any of the six financial statements of four statutory corporations (KSRTC, BMTC, KKRTC and NWKRTC). The non-compliance to provisions of Accounting Standard 15 is being consistently commented upon every year.

2.7 *Management Letters*

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of Financial Statements, between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the Financial Statements of Public Sector Enterprises were reported as comments by the CAG under Section 143 (6)(b) of the Act. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the Management through 'Management Letter' for taking corrective action. During the year, CAG issued Management Letters to 27 Government Companies and four Statutory Corporations on the deficiencies in accounting treatment and policies, non-compliance to accounting standards on disclosures and non-compliance to assurances to audit on rectification of errors, etc. noticed in 33 financial statements.

Recommendations:

3. ***For delay in submission of accounts, Government may consider fixing responsibility on the CEOs/CMDs/CFOs concerned and include timely submission of accounts as a criterion for further extension of tenure or for fresh appointment of CEOs in other companies.***
4. ***Government should establish a robust monitoring and accountability mechanism to ensure that all SPSEs comply with the statutory deadlines for finalisation and submission of accounts.***
5. ***The Government may consider the application of section 129 (7) of the Companies Act which requires fines and/or imprisonment for non-preparation of accounts on time.***

Chapter III

Corporate Governance

Chapter - III

Corporate Governance

3.1 Introduction

Provisions as contained in the Companies Act, 2013

3.1.1 The Companies Act, 2013 (The Act) was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, in the year 2014, the Ministry of Corporate Affairs (MCA) has also notified various Rules[45] (as amended from time to time) on Management and Administration, Appointment and Qualification of Directors, Meetings of Board and its powers and Accounts.

The Act, along with the Rules, provides a robust framework for corporate governance. Subject to fulfilment of specified criteria, the requirement *inter-alia* provides for:

- Having minimum number of directors on Board;
- Mandatory appointment of independent directors on Company's Board, their training, and their participation in meetings;
- Mandatory appointment of women director on Company's Board;
- Mandatory establishment of Board Sub Committees like Audit Committee, Nomination and Remuneration Committee, etc;
- Minimum number of meetings to be held every year and timeline thereon; and
- Management and administration of matters like maintenance of registers, filing of annual returns, *etc.*

MCA has been issuing orders/circulars amending the rules from time to time (June 2015 / July 2017 / Jan 2019 *etc*.) and has been exempting Government Companies from applicability of certain provisions of the Act or as modified.

SEBI guidelines on Corporate Governance

3.1.2 After enactment of the Act, Securities and Exchange Board of India (SEBI) revised the Clause 49 of the listing agreement containing the provisions of Corporate Governance. The compliance to these provisions was mandatory for listed entities vide its circulars dated 17 April 2014 and 15 September 2014.

On 02 September 2015, SEBI also notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and further issued a uniform listing agreement format (February 2023) for all types of securities which required the

[45] (i) Companies (Management and Administration) Rules, 2014, (ii) Companies (Appointment & Qualification of Directors) Rules, 2014, (iii) Companies (Meetings of Board and its powers) Rules, 2014 (iv) Companies (Accounts) Rules, 2014 *etc*.

listed entity to comply with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

DPE guidelines on Corporate Governance

3.1.3 As per the recommendations (Feb 2021) of the Cabinet Sub Committee, Government of Karnataka has abolished (May 2022) the Department of Public Enterprises (DPE) and all those matters handled by DPE were either aligned to or merged with Finance Department. Consequent to merger, no comprehensive guidelines have been issued by Finance Department on Corporate Governance until March 2023 except for a circular issued in January 2023 regarding fixation of timeline for finalisation of accounts and holding annual general meeting by September every year.

Review of compliance by selected SPSEs of the Corporate Governance provisions

3.1.4 As of 31 March 2023, there were 127 SPSEs in Karnataka under the audit jurisdiction of the CAG, consisting of six Statutory Corporations and 121 Government / Government Controlled Companies (including fourteen inactive companies) with The Mysore Paper Mills Limited, being the only Company listed on Stock Exchange. Of these, ***26 unlisted*** Government[46] / Government Controlled Companies[47] **(*Appendix - 9*)** under the administrative control of various departments were selected[48] for review of compliance with the Corporate Governance provisions based on the fulfilment of at least one criteria applicable in relation to constitution of Board/Committees and establishment of internal audit mechanism, as indicated in **Table No. 3.1** below:

Table No. 3.1: Statement of applicable criteria for compliance

Sl. No.	Category	Paid Up Capital	Outstanding Loans	Turnover
1	Independent Directors	₹ 10 Cr and above	₹ 50 Cr and above	₹ 100 Cr and above
2	Audit Committee			
3	Nomination and Remuneration Committee			
4	Women Directors	₹ 100 Cr and above	---	₹ 300 Cr and above
5	Internal Audit	₹ 50 Cr and above	₹ 100 Cr and above	₹ 200 Cr and above

Source: Data compiled by Audit

Audit findings on compliance with Corporate Governance provisions are stated in succeeding paragraphs.

[46] Includes two SPSEs (DUBCDCL and KRIDL) registered as Private Limited Companies.
[47] Registered as non-government Companies.
[48] Companies whose financial statements for the year 2021-22 have been certified as at end of review period September 2023.

3.2 Matters relating to incorporation of the company

Memorandum and Articles of Association (MOA/AOA)

Adoption of specified formats

3.2.1 Section 4 (6) and Section 5 (6) of the Act states that the memorandum and articles of association of a company shall be in formats specified in Table A and Table F respectively in Schedule I to the Act as applicable to Company limited by shares.

Seven SPSEs (BESCOM, KSDL, KSMCL, HGML, KRDCL, KNNL and KFCSC) had complied with the statutory provisions by altering their MOA/AOA to adopt specified format. The following instances of non-compliance / inadequate compliance were noticed in MOA/AOA of the remaining 14 SPSEs:

- Consequent to enactment of the Act, MOA / AOA of 12 existing SPSEs[49] were not amended to incorporate changes required or to adopt the applicable forms (Form A and Form F) specified in the first schedule to the Act.

- One SPSE (MSIL) altered only the AOA during October 2019 and did not carry out necessary changes required to alter references to provisions of the old Act in MOA.

- One SPSE (KSIIDC) did not alter its AOA to adopt Form F.

Disclosure of alterations made in MOA / AOA

3.2.2 Section 15 (1) of the Act stipulates that every alteration made in the memorandum or articles of a company shall be noted in every copy of the memorandum or articles, as the case may be.

Two instances of inadequate compliance with relevant provisions were noticed:

- The reference to the resolution of alteration made (April 2022) to Article 6 of AOA was erroneously noted under Article 8 instead of Article 6 by one SPSE (DUBCDCL).

- In another instance, the reference to the special resolution, passed (Sept 2019) for alteration of all clauses of AOA was noted in the copy of MOA instead of the copy of AOA by one SPSE (BESCOM).

Disclosures relating to registered office of the company

3.2.3 Section 12 (3) (a) of the Act stipulates that every Company shall paint or affix its name, and the address of its registered office, and keep the same painted

[49] KPCL, KPTCL, HESCOM, MESCOM, CESC, GESCOM, KBJNL, CNNL, KEONICS, KRIDL, DUBCDCL and RPCL.

or affixed, on the outside of every office or place in which its business is carried on, in a conspicuous position, in legible letters.

Eight SPSEs (KPTCL, BESCOM, HESCOM, DUBCDCL, KSMCL, KBJNL, CNNL and VJNL) have failed to affix or display such boards, as the boards did not contain the address of their registered offices.

3.2.4 Section 12 (3) (c) of the Act states that every Company shall get its name, address of its registered office and the Corporate Identity Number (CIN) along with telephone number, fax number, if any, e-mail, and website addresses, if any, printed in all its business letters, billheads, letter papers and in all its notices and other official publications.

Verification of letterheads obtained from SPSEs with reference to the above requirements revealed following deficiencies:

- One SPSE (KFCSCL) has a website but the same was not mentioned in the letterhead.
- Contact details like email address and / or telephone numbers were not disclosed in letterheads of four SPSEs (RPCL, KSMCL, KNNL and KEONICS).
- Letterheads of three SPSEs (DUBCDCL, KRIDL and KFCSCL) did not mention corporate identification number (CIN).

3.3 Composition of Board

Board of Directors, the collective body of the directors of the company, is the most significant instrument of corporate governance. The Board of Directors of a company is entitled to exercise all such powers, and to do all such acts and things, as the company is authorised to exercise and do, subject to the provisions in the Act, or in the memorandum or articles, or in any regulations including regulations made by the company in general meeting (Section-179 of the Act).

Stipulated minimum number of directors

3.3.1 Section 149 (1) (a) of the Act stipulates that every company shall have a Board of Directors consisting of a minimum of three directors in case of a public company and a minimum of two directors in case of a private company. Maximum limit of 15 directors stipulated under the provision of Section 149 (1) (b) of the Act is not applicable[50] to Government Companies.

All 26 SPSEs have complied with the requirements by having a minimum of two or three directors on their Boards.

[50] As per the notification dated 05.06.2015 issued by MCA.

Independent Directors

3.3.2 Rule 4 (1)[51] of Companies (Appointment & Qualification of Directors) Rules, 2014 read with Section 149 (4) of the Act requires every Public Company having (i) paid-up share capital of ₹ ten crore or more or (ii) turnover of ₹ one hundred crore or more or (iii) an aggregate outstanding loan, debentures and deposits exceeding ₹ fifty crore to have a minimum of two independent directors on its Board. Rule 4 (1) also states that if composition of the Audit Committee of such Company requires more number of independent directors, same shall be applicable.

As per section 149 (12) of the Act, an independent director shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently. The Ministry of Corporate affairs has clarified (vide circular dated 2 March 2020) that ordinarily a whole time director and a key managerial person associated with the day to day functioning of the company would be liable for the defaults committed by the company and in view of the express provisions of Section 149(12) of the Act, independent Directors should not be arrayed in any criminal or civil proceedings, under the Act unless the above mentioned criteria is met.

As per Rule 4(2) certain class of unlisted public companies (joint ventures, wholly owned subsidiaries and dormant companies as defined under Section 455 of the Act) are not covered[52] by Rule 4 (1) and need not appoint independent directors.

The administrative Department appointed 44 independent directors on the boards of the 16 SPSEs. Two SPSEs (DUBCDCL and KRIDL) are not covered by Rule 4 (1) having registered as a private limited company. One SPSE (RPCL), a joint venture company, has complied with Rule 4 (1) by having two independent directors as composition of its Audit Committee required appointment of independent directors.

Eight SPSEs (KSMCL, HGML, KSIIDC, KRDCL, BSCL-Belagavi, KEONICS, KFCSCL and CBIC-Tumkur) did not have independent directors on their Boards. One SPSE (KSDL) had only one independent director on Board and did not comply with requirement of minimum number of two independent directors on its Board.

Women Directors

3.3.3 Rule 3 of Companies (Appointment & Qualification of Directors) Rules, 2014 read with Section 149 (1) of the Act requires every Company having a paid-up share capital of one hundred crore or more or turnover of three hundred crore or more to have at least one woman director on its Board.

One SPSE, KRDCL did not have (March 2023) a woman director on their board.

[51] Rule 4 was amended and renumbered as Rule 4 (1) vide notification dated 05.07.2017.
[52] MCA General Circular 09/2017 dated 05.09.2017.

Director Identification Number

3.3.4 Every director shall have a distinctive Director Identification Number (DIN) allotted by the Central Government to comply with the provisions of Section 154 of the Act.

During the financial year 2022-23, DIN was not obtained for two directors of KRIDL.

Number of directorships

3.3.5 Section 165 (1) of the Act stipulates that the maximum number of public companies in which a person can be appointed as a director shall not exceed ten.

Two SPSEs (CESC and DUBCDCL) have stated that one director on their Board, is a director in more than ten public companies.

3.4 Appointment and functioning of Independent Directors

Issuance of formal letter of appointment and code of conduct

3.4.1 Schedule IV Para (IV) (4) of the Act states that the appointment of independent directors shall be formalised through a letter of appointment which *inter-alia* sets out the terms of appointment, the duties, code of business ethics and remuneration, periodic fees, *etc*. Further, Schedule IV Para (IV)(6) of the Act stipulates that the terms and conditions of appointment of independent directors shall also be posted on the company's website.

The appointment of Independent directors on Boards of Government companies were made by the State Government and letters of appointment issued by the Government merely mentioned the status of appointment. The terms and conditions of appointment of independent directors were not posted on official website of SPSEs.

Declaration by Independent Directors

3.4.2 Section 149 (7) of the Act requires every independent director to give a declaration that he meets the criteria of independence as provided in sub-section (6) at the first meeting of the Board in which he participates as a director and thereafter, at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director.

It was stated by an SPSE (BESCOM) that an independent director did provide the declaration during the financial year 2022-23.

Appointment of Government Officers as Independent Directors

3.4.3 The purpose of appointing independent directors is to have check on the affairs of the company independent of the promoters and management.

24 independent directors in nine SPSEs[53] out of 44 independent directors appointed by Administrative Departments on the Boards of 16 SPSEs were officers on full time employment in Government of Karnataka (GoK) / Government Companies which is against the provisions and spirit of the Act on such matters.

On observing such instances, Finance Department, GoK has directed (September 2023[54]) all Administrative Departments for immediate action for withdrawal of such nominations and appointment of new independent directors in compliance with the provisions of the Act.

Training of Independent Directors

3.4.4 One of the duties spelt out in Schedule IV Para (III) (1) of the Act is that the independent directors shall undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company. Accordingly, every company is required to provide suitable training to independent directors to familiarize them with the company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company etc.

Only two SPSEs (KSDL and BSCL-Bengaluru) have imparted training to independent directors.

Attending meeting of Board of Directors and Board Committees

3.4.5 Schedule IV Para (III) (3) of the Act stipulates that independent directors shall strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member.

Out of the 44 independent directors in 16 SPSEs, 24 independent directors in 15 SPSEs attended all the Board meetings and 20 independent directors in 12 SPSEs recorded an absenteeism ranging from 14 *per cent to 100 per cent* in Board meetings held during their tenure in financial year 2022-23 (Details in ***Appendix - 10*)**.

Attending General Meetings of the company

3.4.6 Schedule IV Para (III) (5) of the Act stipulates that independent directors should strive to attend the Annual General Meetings (AGM) of the Company[55].

[53] KPCL(3), KPTCL(4), BESCOM (3), HESCOM (2), MESCOM (2), CESC (3), GESCOM (4), KSDL (1) and MSIL (2).

[54] Circular No FD 91 INV 2023 dated 12.09.2023.

[55] The provisions are not applicable to three independent directors in three SPSEs (KPCL, KPTCL and CESC) as they were appointed after the AGM was held during the year. Similarly, AGM of one SPSE (CNNL) for financial year 2021-22, which had three independent directors, scheduled to be held during December 2022 stood adjourned until September 2023.

Out of 38 independent directors, 28 directors in 15 SPSEs attended the AGM and ten directors in eight SPSEs failed to attend the AGMs held during the financial year 2022-23 (Details in ***Appendix - 11*****).**

Resignation or removal of Independent Directors

3.4.7 As per Schedule IV Para (VI) (2) of the Act, an independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within three months from the date of such resignation or removal, as the case may be.

No instances of resignation were noticed as directors were appointed and removed / replaced by Government of Karnataka by Notification. Actions have been taken for new appointments, wherever independent directors were replaced in the Company.

Separate meetings of Independent Directors

3.4.8 Schedule IV Para (VII) (1) of the Act stipulates that, every financial year, the independent directors of the company shall hold at least one meeting, without the attendance of non-independent directors and members of management to assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties. Further, sub paragraph (2) states that all the independent directors of the company shall strive to be present at such meeting.

Independent directors of only one SPSE (CESC) held a separate meeting during the financial year 2022-23. In one SPSE (KSDL), there was no necessity to hold a meeting as there was only one independent director on Board.

3.5 Meetings of the Board

Holding Stipulated minimum number of Board Meetings

3.5.1 Section 173 (1) of the Act stipulates that every Company shall hold a minimum number of four meetings of its Board of Directors every year, in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board.

Three SPSEs (DSCL, KEONICS and KFCSCL) failed to comply with the requirements as only three Board meetings were held during the year.

In six SPSEs, Board meetings were held with a gap of more than 120 days as indicated in **Table No. 3.2** below**:**

Table No. 3.2: Details of Board meetings held with a gap of more than 120 days

Sl. No.	Company name	Date of previous meeting	Date of next meeting	Intervening gap in days	Remarks
1	Karnataka Road Development Corporation Limited	137 / 11.03.2022	139 / 29.08.2022	171	One meeting scheduled in July 2022 was not held due to lack of quorum
2	Krishna Bhagya Jala Nigam Limited	134 / 04.07.2022	135 / 28.11.2022	147	No reason given
3	Karnataka Neeravari Nigam Limited	99 / 04.07.2022	100 / 17.12.2022	166	No reason given
4	Cauvery Neeravari Nigama Limited	77 / 05.07.2022	78 / 30.12.2022	178	No reason given
5	Karnataka State Electronics Development Corporation Limited	204 / 21.10.2022	xxx	161	205th Meeting not held till March 2023
6	Karnataka Food and Civil Supplies Corporation Limited	305/ 13.01.2022	306 /02.08.2022	201	No reason given

Source: Data compiled by Audit

Issue of notice for holding a Board meeting

3.5.2 As per Section 173 (3) of the Act, a meeting of the Board is required to be called by giving not less than seven days' notice in writing sent by hand delivery or by post or by electronic means. A meeting can be called at shorter notice, if at least one independent director is present. In the absence of independent director, the board decisions are final only on ratification by an independent director.

Audit analysis of 134 board meetings held by 26 SPSEs during the year revealed that:

- Only two SPSEs (DSCL and KEONICS) have held all their six (three each) board meetings by giving more than seven days prior notice.
- 77 board meetings out of remaining 128 meetings held by 24 SPSEs were with less than seven days prior notice and seven SPSEs (referred to in ***Para 3.3.2***) of those 24 SPSEs did not have independent directors on their board to comply with the requirements.

Quorum in Board of Directors

3.5.3 As per Section 174 (1) of the Act, the quorum for a meeting of the Board of Directors of a company shall be one-third of its total strength or two directors, whichever is higher.

One SPSE (KRDCL) stated that its 138th Board meeting scheduled in July 2022 could not be held due to lack of quorum.

Vacation of office of Director due to absence in Board Meetings

3.5.4 As per Section 167 (1) (b) of the Act, the office of a director shall become vacant in case a director absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board.

Five directors in five SPSEs remained absent in all the board meetings held during the financial year 2022-23 as shown in **Table 3.3** below:

Table No. 3.3: Details of directors absent in all Board meetings

Sl. No.	Company name	No of Board meetings held during the year	No of Directors absent in all meetings
1	Karnataka Rural Infrastructure Development Limited	5	1
2	Karnataka Road Development Corporation Limited	4	1
3	Krishna Bhagya Jala NigamLimited	5	1
4	Cauvery Neeravari Nigama Limited	5	1
5	Bengaluru Smart City Limited	4	1

Source: Data compiled by Audit

No action appears to have been taken on those directors (December 2023) as the list of directors furnished to audit indicates the status as "till date". This implied that they continued to be on Board despite being absent from all the Board meetings held during the year.

Information to be placed before the Board

3.5.5 Part A of Schedule II to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Regulation 17 (7) specifies the minimum information (on 15 matters) to be placed before the board of directors of listed companies.

An analysis of response from SPSEs to the checklist on corporate governance revealed that matters related to annual operating plans and budgets, capital budgets, proceedings of Board, sub-committees, recruitment and remuneration of senior officers below Board level, material default in financial obligations to and by the company are generally placed before the Board.

3.6 Committees of the Board

Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 read with Section 177 (1) and Section 178 (1) of the Act requires Board of Directors of every Public Company having (i) paid-up share capital of ten crore or more or (ii) turnover of one hundred crore or more or (iii) an aggregate outstanding loan, debentures and deposits exceeding fifty crore to constitute an Audit Committee and a Nomination and Remuneration Committee (NRC) of the Board.

The above provisions were not applicable to two SPSEs (DUBCDCL and KRIDL), which are registered as private limited companies.

Audit Committee

Composition of Audit Committee

3.6.1 Section 177 (2) of the Act stipulates that the Audit Committee shall consist of a minimum of three directors with independent directors forming a majority. Further, majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statement.

All 24 SPSEs had constituted Audit Committees wherein majority of members were persons with ability to read and understand the financial statements. However, Audit noticed the following:

- In One SPSE (BSCL-Belagavi), the Audit committee had only two directors.
- Eight SPSEs referred to in ***Para 3.3.2*****,** did not have independent directors on their Boards to form part of Audit Committees.
- Further, independent directors did not form majority in the Audit Committees of four SPSEs (MESCOM, KSDL, CNNL, and BSCL-Bengaluru).
- One SPSE (KFCSCL) did not disclose the composition of Audit Committee in the Board's Report prepared and placed before Annual General Meeting held during the year 2022-23 to comply with Section 177 (8) of the Act.

Terms of reference of Audit Committee

3.6.2 Section 177 (4) of the Act states that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall *inter-alia* include certain matters, such as recommendation for appointment, remuneration and terms of appointment of auditors, reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process, evaluation of internal financial controls and risk management systems etc. Wherever the Board has not accepted any recommendation of the Audit Committee, the same shall be disclosed in Board's Report along with the reasons therefor as per Section 177 (8) of the Act.

Six SPSEs (KSDL, KSMCL, KSIIDC, KRDCL, KEONICS and KFCSCL) have not framed the terms of reference but claimed to have considered applicable matters specified under Section 177 (4) of the Act. One SPSE (GESCOM) stated that evaluation of internal financial controls and risk management systems have not been undertaken pending implementation of ERP.

All SPSEs stated that there were no instances of non-acceptance of Audit Committee recommendations by the Board.

Whistle Blower mechanism

3.6.3 (a) Rule 7 (1) of the Companies (Meetings of Board and its Powers) Rules, 2014 read with Section 177 (9) of the Act stipulates that (i) all Listed Companies, or (ii) Companies accepting deposits from public or (iii) Companies which have borrowed money from Banks and Public Financial Institutions in excess of ₹50 Crore shall establish a vigil mechanism for directors and employees to report genuine concerns or grievances.

Eleven SPSEs[56], with borrowings in excess of ₹ 50 crore, were required to establish a whistle blower mechanism. Audit found that only one SPSE (CNNL) did not comply with the requirements.

(b) Rule 7 (4) of the Companies (Meetings of Board and its Powers) Rules, 2014 read with Section 177 (10) of the Act required such vigil mechanisms to provide adequate safeguards against victimisation of employees and directors, who avail of the vigil mechanism and also provide for direct access to the Chairperson of the Audit Committee or the director nominated to play the role of Audit Committee, as the case may be, in exceptional cases.

Further, the details of establishment of vigil mechanism are required to be disclosed by every company on its website as well as in the Board's report.

Except one SPSE (RPCL), which does not have a website, all other SPSEs have complied with the requirements.

Nomination and Remuneration Committee

Composition of Nomination and Remuneration Committee (NRC)

3.6.4 Section 178 (1) of the Act stipulates that NRC shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors.

Ten SPSEs[57] did not constitute the NRC, of which two SPSEs (KSDL and CNNL) stated that constitution of NRC is not applicable to government companies which is incorrect as exemption notification provides only partial exemption to Government companies- except with regard to appointment of 'senior management' and other employees.

Out of remaining 14 SPSEs who have constituted NRC, it was observed that:

- With only two members in the committee, NRC of one SPSE (BSCL-Belagavi) did not have the required minimum number of three non-executive directors. One SPSE (HESCOM) had only two non-executive directors in the committee.

[56] KPCL, RPCL, KPTCL, BESCOM, HESCOM, MESCOM, CESC, GESCOM, KBJNL, KNNL and CNNL.

[57] KSDL, KSMCL, HGML, MSIL, KSIIDC, KRDCL, CNNL, KEONICS, KFCSCL and KPTCL (constituted in September 2023).

- Two SPSEs (BSCL- Belagavi and CBIC-Tumkur) did not have independent directors on their Boards and one SPSE (BSCL-Bangalore) did not have independent directors in the committee. Hence, these three SPSEs were partially compliant of Section 178 (1) of the Act.

Attendance of Chairperson or any member of the Committee in Annual General Meeting

3.6.5 The Chairperson of the NRC or, in his absence, any other member of the committee authorised by him in this behalf is required to attend the general meetings of the company as per the provisions of Section 178 (7) of the Act.

Chairman or a member of the NRC of all 14 SPSEs attended the Annual General Meeting held during financial year 2022-23.

Recommendation of remuneration policy to the Board

3.6.6 As per Section 178 (3) of the Act, to the extent applicable[58] to Government companies, NRC shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the key managerial personnel and other employees.

NRCs at seven SPSEs (KPCL, BESCOM, HESCOM, MESCOM, CESC, GESCOM and CBIC-Tumkur) did not formulate any criteria or recommend a remuneration policy, as required.

3.7 Annual General Meeting

(a) Section 96 (1) of the Act stipulates that each year every company shall hold a general meeting and not more than fifteen months shall elapse between the date of one annual general meeting of a company and that of the next meeting.

All 26 SPSEs have held the AGM during the financial year 2022-23 within a gap of fifteen months from the date of previous Meeting.

(b) Section 96 (2) of the Act states that every Annual General Meeting shall be held during business hours either at the registered office of the company or at a place where the registered office of the company is situated.

Twenty-two SPSEs have held the AGM during business hours either at their registered office or a place where registered office is located. However, four SPSEs (CESC, KBJNL, CNNL and DSCL) held their AGM at a place (Bangalore) other than where registered office is located.

[58] Exemptions / exceptions notified in MCA Notification dated 05.06.2015.

3.8 Management and Administration

Maintenance of Register of Members

3.8.1 Rule 3 (1) of Companies (Management and Administration) Rules, 2014 read with Section 88 (a) of the Act, stipulates that every company limited by shares shall, from the date of its registration, maintain a register of its members in Form No. MGT.1. Further, Rule 8 (1) requires that the entries in the registers maintained, and index included therein shall be authenticated by the company secretary of the company or by any other person authorised by the Board for the purpose, and the date of the board resolution authorising the same shall be mentioned.

Seven SPSEs (DUBCDCL, KSMCL, HGML, KRDCL, CNNL, KEONICS, and CBIC-Tumkur) did not maintain the register of members. One SPSE (KFCSCL) did not furnish the register for verification stating that same had been misplaced.

Register of Directors and Key Management Personnel

3.8.2 Section 170 (1) of the Act stipulates that every company shall keep at its registered office a register containing such particulars of its directors and key managerial personnel containing the particulars stated in Rule 17 of Companies (Appointment & Qualification of Directors) Rules, 2014, the details of securities held by each of them in the company or its holding, subsidiary, subsidiary of company's holding company or associate companies.

Provisions of Section 170 were not applicable to a Government Company in which the entire share capital is held by the Central Government, or by any State Government or Governments or by the Central Government or by one or more State Governments.

Maintenance of register of directors and Key Management Personnel was not mandatory for 22 SPSEs as their share capital were held by State Government or State/ Central Governments. Out of remaining four SPSEs (RPCL, HGML, MSIL and KRDCL), two SPSEs *i.e.*, HGML and KRDCL have not maintained the register of directors and KMP.

3.9 Annual Returns

Filing of Annual Returns (Form MGT-7)

3.9.1 Provisions of Section 92 (1) of the Act / Rule 11 (1) of Companies (Management and Administration) Rules, 2014 requires every Company to prepare and file an Annual Returns containing various particulars related to the Company, specified therein as they stood on the close of the financial year in Form MGT 7.

All 26 SPSEs have filed the annual returns in Form MGT 7 for the relevant financial years (one SPSE for FY 2020-21 and remaining for FY 2021-22) for which AGMs were held during 2022-23.

Certification of Annual Returns (Form MGT 8)

3.9.2 The annual returns, filed by a company having paid-up share capital of ten crore rupees or more or turnover of fifty crore rupees or more, shall be certified by a Company Secretary in practice and the certificate shall be in Form MGT 8 {Rule 11 (2)}.

All 26 SPSEs, irrespective of applicability, have filed Form MGT 8.

Adherence to timeline for filing Annual Returns

3.9.3 Section 92 (4) stipulates that every company shall file with the Registrar of Companies (RoC) a copy of the annual return, within sixty days from the date on which the annual general meeting is held.

Ten SPSEs did not comply with prescribed timeline as returns were filed after a period ranging from 64 days to 283 days as indicated in **Table No. 3.4** below:

Table No. 3.4: Delay in filing annual returns after holding AGM

Sl. No.	Company name	Date of AGM	Date of filing annual returns	No of days taken	Delay in days
1	Bangalore Electricity Supply Company Limited	22-09-2022	02-12-2022	71	11
2	D Devaraj Urs Backward Classes Development Corporation Limited	13-09-2022	19-12-2022	97	37
3	Karnataka State Minerals Corporation Limited	27-03-2023	02-06-2023	67	07
4	The Hutti Gold Mines Company Limited	29-09-2022	08-02-2023	132	72
5	Karnataka Neeravari Nigam Limited	21-01-2023	25-07-2023	185	125
6	Vishveswaraya Jala Nigam Limited	05-12-2022	14-09-2023	283	223
7	Belagavi Smart City Limited	26-12-2022	28-02-2023	64	04
8	CBIC Tumakuru Industrial Township Limited	29-12-2022	03-03-2023	64	04
9	Cauvery Neeravari Nigama Limited	30-09-2023	08-01-2024	100	40
10	Karnataka Food and Civil Supplies Corporation Limited	31-12-2022	02-09-2023	245	185

Source: Data compiled by Audit

Disclosure on filing of Annual Returns

3.9.4 Rule 12 (1) read with Section 92 (3) of the Act requires every company to attach the extract of annual returns with Board's Report in Form No. MGT 9. The provision is not applicable[59], if the Company discloses a weblink to such annual return in the Board's Report.

The status of compliance to above disclosure requirements is given in **Table No. 3.5** below:

[59] As proviso added to Sec 92 (3) through amendment vide MCA Notification dated 28 August 2020.

Table No. 3.5: Disclosure on Annual Returns filed by SPSEs

Sl. No.	Nature of Disclosure	No of SPSEs	Name of SPSE
1	Abridged version of MGT 9 attached to Directors Report.	05	KPTCL. HESCOM, KSMCL, CNNL, BSCL-Belagavi.
2	Annual returns in Form MGT 7 uploaded to website.	11	BESCOM, GESCOM, KSDL, HGML, MSIL, KSIIDC, KRIDL, KRDCL, KBJNL, KNNL, VJNL.
3	Both Form MGT 9 attached and Form MGT 7 uploaded.	03	KPCL, MESCOM, CESC.
4	Compliance not verifiable due to lack of disclosure / accessibility.	05	DUBCDCL, DSCL, BSCL-Bengaluru, KEONICS, KFCSCL.
5	No website to upload annual returns in Form MGT 7 and abridge version in MGT 9 not attached to Directors Report.	02	RPCL, CBIC-Tumkur.

Source: Data compiled by Audit

Verification of disclosures on websites / in Directors' Report revealed the following instances of inadequate disclosures:

- Four SPSEs (DUBCDCL, KEONICS, KFCSCL and BSCL-Bengaluru) have neither uploaded the annual reports nor the annual returns on their websites.

- Among SPSEs who have uploaded Form MGT 7 on their websites, only three SPSEs (MESCOM, MSIL and KRIDL) have disclosed proper weblink for access. The remaining SPSEs have disclosed only their website address which constitutes only partial compliance with disclosure requirement and also does not facilitate easy access to annual returns.

- Directors' Report of one SPSE (HESCOM) stated that abridged version of annual return in Form MGT 9 has been attached though Company is exempted vide MCA notification dated 28.08.2020. The disclosure is incorrect to the extent that exemption from attachment in Form MGT 9 is applicable only if the Company discloses weblink for annual return in Form MGT 7.

- In the Directors' Reports of four SPSEs (KSDL, HGML, VJNL, and DSCL), it was stated that annual return in Form MGT 7 has been uploaded on website address disclosed. However, Audit did not find their annual returns on their websites.

- One SPSE (KSIIDC) has uploaded the annual return on its website without disclosing the weblink in its Directors' Report.

- The website on which one SPSE (KNNL) had stated to have uploaded the annual return in Form MGT 7 was not functional and annual return was not found on Company's new website.

- One SPSE (RPCL) stated in its Directors' Report that Annual Return in MGT 7 is not applicable as the company does not have a website and has not attached abridged version in Form MGT 9 to Directors' Report.

Another SPSE (CBIC-Tumkur) did not have a website to make relevant disclosure. The Company also did not attach abridged version in Form MGT 9 in its Directors' Report.

3.10 Mechanism to ensure compliance of applicable laws

As per Section 134 (5) (f) of the Act, the Directors' Responsibility Statement referred to in Section 134 (3) (c) shall state that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Reporting to the Board about compliance with the provisions of this Act, the rules made thereunder and other laws applicable to the company, is the responsibility of the Company Secretary as stipulated in Section 205 (1) (a) of the Act.

Appointment of Company Secretary

3.10.1 Rule 8 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 read with Section 203 (1) of the Act, provides that every listed company and every other public company having a paid-up share capital of rupees ten crore or more shall have whole-time key managerial personnel, one of which is a Company Secretary.

Five SPSEs were not required to have a whole time Company Secretary, *i.e.*, two SPSEs (KRIDL and DUBCDCL) being registered as private limited companies and three SPSEs (KSMCL, HGML and KFCSCL) for not having paid up share capital of rupees ten crore and above.

Out of remaining 21 SPSEs, seven SPSEs did not have a Company Secretary appointed on permanent basis[60] as indicated in **Table No. 3.6** below:

Table No. 3.6: List of SPSEs not having a Company Secretary on permanent basis

Sl. No.	Company name	Present status	Response from Company
1	Karnataka State Industrial Infrastructure and Development Corporation Limited	Others - On retainership basis	Pending approval of Cadre & Recruitment Rules of the Company, by the Government, a Company Secretary has been appointed on contractual basis for a period of one year in Oct 2023.
2	Karnataka State Electronics Development Corporation Limited		Company is in the process of appointing a permanent Company Secretary as suitable candidates were not available for appointment in response to advertisement published on 13.01.2020.
3	Karnataka Soaps and Detergents Limited	Others - Contract	Company called for appointment of Company Secretary four times but could not find suitable candidates
4	Karnataka Road Development Corporation Limited		No reasons provided
5	Karnataka Neeravari Nigam Limited		No reasons provided

[60] For the purpose of analysis, meaning of 'whole time' is taken as person in whole time employment with the Company as in definition of whole time director under section 2 (94) is considered.

Sl. No.	Company name	Present status	Response from Company
6	Cauvery Neeravari Nigama Limited		Company Secretary appointment contract gets renewed yearly which is duly signed by the Managing Director
7	Belagavi Smart City Limited		No reasons provided

Source: Data compiled by Audit

Non-compliance of applicable laws

3.10.2 The analysis of disclosures in Directors Report as well as response from SPSEs to the checklist on corporate governance to Audit revealed that two SPSEs (DUBCDCL and KBJNL) have not made a list of laws applicable to the Company to ensure compliance and seven SPSEs (HESCOM, MESCOM, DUBCDCL, KSMCL, KRDCL, CNNL and KEONICS) have admitted to non-compliance of applicable laws.

Reporting about the compliance / non-compliance with the provisions of this Act, the rules made thereunder and other laws applicable to the company has not been made by Company Secretaries of nine SPSEs (KPTCL, DUBCDCL, KSMCL, HGML, KRDCL, CNNL, VJNL, KEONICS and KFCSCL) as stipulated in Section 205 (1) (a) of the Act.

3.11 Internal Audit Framework

Role of internal audit

3.11.1 The Standards on Internal Audit issued by Institute of Chartered Accountants of India defines[61] internal audit as an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity's strategic risk management and internal control system."

Thus, the role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.

Legal framework and applicability

3.11.2 Section 138(1) of the Act, 2013 read with Rule 13 (1) (b) of Companies (Accounts) Rules, 2014, stipulates that every unlisted public company having paid up share capital of fifty crore rupees or more; or turnover of two hundred crore rupees or more during the preceding financial year; or outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees or more; or outstanding deposits of twenty-five crore rupees or more at any point of time during the preceding financial year shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

[61] Extract from booklet on internal audit issued by ICAI.

All 26 SPSEs, including two SPSE (DUBCDCL and KRIDL) registered as private limited companies, have met at least one of applicable criteria for appointment of an internal auditor.

Internal audit system

3.11.3 As per the proviso to the Rule, for the purposes of Rule13 (1) of Companies (Accounts) Rules, 2014, an internal auditor may or may not be an employee of the company.

One SPSE (KPCL) has an in-house internal audit wing but has also engaged external agencies for its thermal and hydel units. Seven SPSEs (KPTCL, BESCOM, HESCOM, MESCOM, CESC, GESCOM and HGML) have an in-house internal audit wing. The remaining 18 SPSEs have engaged external agencies for conducting internal audit of their transactions.

3.12 Scope, functioning, periodicity and methodology

Formulation and scope and methodology of internal audit

3.12.1 Section 138 (2) of the Act, 2013 provides that the Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board. Rule 13 (2) of Companies (Accounts) Rules, 2014 states that the Audit Committee of the company or the Board shall, in consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit.

- One SPSE (KEONICS) has not complied with the above requirements.

- Five SPSEs (BESCOM, HESCOM, MESCOM, CESC and GESCOM), the electricity distribution companies under energy department, are following an outdated Karnataka Electricity Board (KEB) manual, which was formulated in September 1997, prior to their incorporation by unbundling of erstwhile Karnataka Electricity Board.

Frequency of audit and reporting of audit findings

3.12.2 The Companies (Accounts) Rules, 2014, as amended from time to time, has not prescribed, so far (Feb 2024), any specific rules for the manner and the intervals in which the internal audit shall be conducted and reported. All 26 SPSEs have conducted internal audit on monthly, quarterly, half-yearly or annually as approved by the respective managements.

Audit Committee or Board of Directors in Four SPSEs (BESCOM, DUBCDCL, KRIDL and KFCSCL) have not reviewed the performance of internal auditors or internal audit findings.

Recommendations:

6. ***The Finance Department, which is presently entrusted with dealing in all those matters handled by erstwhile Department of Public Enterprises (DPE), should prepare and issue guidelines on Corporate Governance (similar to guidelines framed by Central DPE) duly considering applicable provisions of the Act, rules, and regulations.***
7. ***The Finance Department, in co-ordination with respective administrative ministries/departments, should monitor compliance to applicable provisions, rules and regulations on Corporate Governance by all State Public Sector Enterprises (SPSEs).***
8. ***Government must ensure that Audit Committees discuss with the Statutory Auditors, the areas of concerns in the companies and suggest additional areas which require further probe and reporting.***

Chapter IV

Corporate Social Responsibility

Chapter - IV

Corporate Social Responsibility

4.1 Introduction

Definition

Corporate Social Responsibility (CSR) is a self-regulating model that helps a Company be socially accountable to itself, its stakeholders and the public. The inclusion (August 2013) of the CSR mandate under the Companies Act, 2013 (the Act), notified by Ministry of Corporate Affairs (MCA), Government of India, is an attempt to supplement the Government's efforts of equitably delivering the benefits of growth and to engage the corporate world with the country's development agenda.

CSR is a board-driven process and the Board of the company is empowered to plan, approve, execute and monitor the CSR activities of the company based on the recommendation of its CSR Committee.

4.2 Legal framework

Legal Mandate

- Provisions of the Companies' Act, 2013 (as amended from time to time), specifically Section No.135 of the Act and Schedule VII to the Act.

- Provisions of the Companies (Corporate Social Responsibility Policy) Rules 2014 (the Rules) as amended upto[62] September 2022 (the amended Rules 2021/2022).

Applicability

4.2.1 Every company (including Section 8 Companies / newly incorporated companies which have not completed three financial years) satisfying any of the following criteria during the immediately preceding financial year is required to comply with CSR provisions specified under Section 135(1) of the Act read with the Rules / amended Rules made thereunder:

i. **net worth** of ₹ five hundred crore or more, or

ii. **turnover** of ₹ one thousand crore or more, or

iii. **net profit** of ₹ five crore or more.

Section 135 (5) of the Act stipulated that the Board of every such company shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company (computed in accordance with the

[62] Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 dated 22.01.2021 and Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022 dated 20.09.2022.

provisions of Section 198 of the Act) made during the three immediately preceding financial years.

Compliance with CSR provisions is monitored by the Government through the disclosures made by the companies in the MCA 21 portal. For any violation of CSR provisions, action can be initiated by the Government against such non-compliant companies as per provisions of the Companies Act, 2013 after due examination of records and by following due process of law. Non-compliance of CSR provisions has been notified as a civil wrong w.e.f. 22.01.2021.

4.3 Scope and coverage

32 SPSEs[63], out of 121 SPSEs (excluding statutory corporations) as at end of March 2023, had fulfilled the criteria for CSR provisions specified under the Act / Rules stated above. Audit reviewed the CSR activities undertaken by 22 profit making SPSEs **(*Appendix - 12*)** during the financial year 2022-23 by excluding ten (10) SPSEs which had reported an aggregate negative profit (loss) in three preceding financial years 2019-20 to 2021-22 and therefore, are not required to spend any amount under CSR activities.

4.3.1 One SPSE (RGHCL), which was required to spend an amount of ₹ 6.00 lakh approximately on CSR during the financial year 2022-23, had failed to comply with any of the provisions of the Act or the Rules during financial year 2022-23 on the premise that it is a "no profit no loss company".

The contention of the SPSE was not acceptable as the SPSE is not registered under Section 8 of the Act[64] and as stated in ***Para 4.2.1*** as well as clarified [65](August 2021) by MCA**,** provisions of the Act are applicable to every company including Section 8 companies.

The audit findings on review on compliance of provisions related to CSR activities by remaining 21 SPSEs are discussed in subsequent paragraphs.

4.4 Planning

Constitution of CSR Committee

4.4.1 Section 135 (1) of the Act stipulates that every Company fulfilling the specified criteria (referred to in ***Para 4.2.1***) is required to constitute a CSR Committee of the Board. As per Section 135 (9) of the Act[66], said provisions on constitution of the CSR Committee are not applicable to those companies where the amount to be spent by a company under Section 135 (5) of the Act does not exceed ₹fifty lakh and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such

[63] Companies whose financial statements for the year 2021-22, which form the basis for eligibility, have been certified as at end of review period September 2023.
[64] Companies formed with charitable objects *etc.* – Section 8 of the Act.
[65] Clarification No.1.3 of General Circular No.14 / 2021 dated 25.08.2021.
[66] Inserted vide amendment to Section 135 vide Companies (Amendment) Act, 2020 dated 28.09.2020.

company. The exemption under Section 135 (9) of the Act is not applicable[67] to a company having any amount in its Unspent Corporate Social Responsibility Account as per Section 135 (6) of the Act.

Nine SPSEs[68] were not required to constitute the CSR Committee as the amount required to be spent during the financial year was less than ₹ fifty lakhs. However, seven of these SPSEs (other than MPVL and KSSCL) had constituted CSR Committees.

All the remaining 12 SPSEs had complied with the provisions of the Act by constituting a CSR Committee.

Composition of CSR Committee – Absence of independent directors

4.4.2 Section 135 (1) of the Act stipulates that CSR Committee should consist of three or more directors out of which at least one director shall be an independent director. Where a company is not required to appoint an independent director under section 149 (4) of the Act, its CSR Committee may have two or more directors.

Out of 19 SPSEs who had constituted CSR Committee, two SPSEs (KRIDL and KSPHIDCL) were not required to have an independent director having registered as a private limited company. Out of the remaining 17 SPSEs, where CSR Committees were constituted, 11 SPSEs[69] did not have independent directors.

Framing of CSR Policy

4.4.3 Section 135(3) of the Act requires that the CSR committee shall formulate and recommend to the Board, a CSR policy indicating the activities to be undertaken by the company and the Board shall, as per the Section 135(4) approve the same after considering the recommendations of the committee.

Except one SPSE (KSPHIDCL), all the remaining 20 SPSEs had formulated a CSR Policy to comply with the provisions. Board of directors of KSPHIDCL had only approved (December 2011) a CSR policy statement but not a comprehensive CSR policy.

Updation of CSR Policy

4.4.4 Audit analysis of date of policy formulation furnished revealed that only five SPSEs (KPCL, MEI, MCA, KSSCL and CBIC-Tumkur) have updated their CSR policy consequent to amendments (January 2021) made to Rules. One SPSE (KRIDL) could not provide the date on which its CSR policy was formulated.

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[67] Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022 dated 20.09.2022.

[68] MESCOM, MEI, MPVL, MCA, KSSCL, KSPHIDCL, KSSIDC, KEONICS and CBIC-Tumkur.

[69] MESCOM, KREDL, KSMCL, HGML, MCA, KSIIDC, KSSIDC, KEONICS, KSBCL, KFCSCL and CBIC-Tumkur.

Annual CSR plan and budget

4.4.5 The CSR Committee is to recommend to the Board, the CSR activities to be undertaken and the amount to be spent in the financial year. This entails the planning and approval of CSR activity as well as the budget.

As a best practice, the proposed CSR projects / activities and requirement of funds should ideally be assessed and presented to the Board latest by 31st March of the preceding financial year or the first quarter of the financial year. This would ensure that execution of CSR activities/ utilisation of funds is spread across the four quarters and prevent the rush to exhaust CSR funds in the last quarter of the financial year.

Audit analysis of CSR Committee / Board proceedings revealed that:

- Recommendations related to CSR activities were spread across multiple quarters only at three SPSEs viz., KRIDL (3), KSMCL (3) and MSIL (2). Of these, committee of only one SPSE (MSIL) had recommended a few CSR activities in March 2022, prior to commencement of the financial year. In one SPSE (KFCSCL), CSR Committee did not meet and recommend the activities to be undertaken by the Company during the year, as suggested (November 2022) by its Board.

- Only two SPSEs (KRIDL and KSMCL) got their CSR plans / budgets approved by the Board periodically during the year and the CSR plan / budget of the remaining 19 SPSEs were approved by respective Boards in second (02 SPSEs), third (09 SPSEs) and fourth (08 SPSEs) quarters.

4.5 Financial Component

Allocation of funds

4.5.1 As per Section 135(5) of the Act, the Board shall ensure that the company spends annually two *per cent* of average net profit of three immediately preceding financial years in pursuance of its CSR policy.

As against ₹ 68.55 crore required to be spent on CSR activities, expenditure of ₹ 66.91 crore had been approved and an allocation of ₹ 70.22 crore was made by 21 SPSEs for the year 2022-23 as indicated in **Table No. 4.1 below:**

Table No. 4.1: Statement of CSR expenditure required, approved and allocated

(₹ in crore)

Sl. No.	Particulars	No of SPSEs	Two *per cent* Net profit	Expenditure approved	Actual allocation	Excess / (Shortfall)
01	Allocation as per Sec 198 calculation	13	44.81	41.50	44.81	0.00
02	Allocation more than requirement	04	11.60	13.83	13.83	2.23
03	Allocation lower than requirement	04	12.14	11.58	11.58	(0.56)
	Total	**21**	**68.55**	**66.91**	**70.22**	**1.67**

Source: Data compiled by Audit

The details of SPSEs are *as per* ***Appendix – 13.***

The list of SPSEs where shortfall in allocation was noticed along with reasons attributable for shortfall is given in **Table No. 4.2** given below**:**

Table No. 4.2: Statement of shortfall in allocation for CSR expenditure with reasons

(₹ in crore)

Sl. No.	Company Name	Amount to be spent	Expenditure approved and allocated	Shortfall in allocation	Remarks
01	Karnataka Power Corporation Limited	9.77	9.68	(0.09)	Due to revision of profit for FY 2021-22 after audit of financial statements for FY 2022-23.
02	Mangalore Electricity Supply Company Limited	0.16	0.11	(0.05)	Actual requirement after setting off excess expenditure of ₹ 0.09 crore for FY 2021-22 was only ₹ 0.07 crore against which allocation of ₹ 0.11 crore was made.
03	Karnataka Silk Industries Corporation Limited	0.92	0.88	(0.04)	Reasons not stated, but only one project involving an outlay of ₹ 0.88 crore was approved.
04	Mysore Sales International Limited	1.29	0.91	(0.38)	Actual requirement after setting off excess expenditure of ₹ 0.49 crore for FY 2021-22 was only ₹ 0.80 crore against which allocation of ₹ 0.91 crore was made.
	Total	**12.14**	**11.58**	**-0.56**	

Source: Data compiled by Audit

Utilisation of funds

4.5.2 Against an allocation of ₹ 70.22 crore made for CSR activities, 21 SPSEs claimed to have spent ₹ 55.66 crore during the financial year 2022-23. However, Audit analysis revealed that the actual expenditure during the year was only ₹ 50.42 crore (details in ***Appendix - 14***). The SPSE wise details of variation amounting to ₹ 5.24 crore (net) is tabulated in **Table No. 4.3** below:

Table No. 4.3: Statement of variation in expenditure reported and actual expenditure

(₹ in crore)

Sl. No.	Company Name	Expenditure (as reported)	Actual expenditure	Difference
1	Karnataka Soaps and Detergents Limited	3.95	3.24	(0.71)
2	Karnataka Silk Industries Corporation Limited	1.23	0.88	(0.35)
3	Karnataka State Minerals Corporation Limited	8.33	4.13	(4.20)
4	Karnataka State Industrial Infrastructure and Development Corporation Limited	1.15	1.17	0.02
Total		**14.66**	**9.42**	**(5.24)**

Source: Data compiled by Audit

Expenditure more than allocation

4.5.3 The proviso to Section 135 (5) of the Act read with Rule 7 (3) of the Amended Rules, 2021 allows a company to set off such excess amount only

against the amount required to be spent upto immediate succeeding three financial years.

Three SPSEs had incurred CSR expenditure of ₹ 0.06 crore over and above the expenditure approved and allocated for the financial year 2022-23 as stated in **Table No. 4.4** given below:

Table No. 4.4: Statement showing SPSEs spending more than the allocation made

(₹ in crore)

Sl. No.	Company Name	Expenditure allocated	Actual Expenditure	Expenditure more than allocation
1	Mysore Paints and Varnish Limited	0.12	0.15	0.03
2	Karnataka State Industrial Infrastructure and Development Corporation Limited	1.15	1.17	0.02
3	Marketing Communication and Advertising Limited	0.37	0.38	0.01
	Total	**1.64**	**1.70**	**0.06**

Source: Data provided by SPSEs

Shortfall in expenditure over allocation and accounting of unspent amount

4.5.4 As per Section 135 (6) of the Act, any unspent amount pertaining to ongoing projects shall be transferred to a separate bank account called 'Unspent CSR Account' opened in a scheduled bank within 30 days from the end of financial year and the same shall be spent in pursuance of its obligation within three years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

Any unspent amount (not pertaining to ongoing projects) shall be transferred to any fund included in Schedule VII of the Act within six months of expiry of the financial year, as per the proviso to Section 135 (5) of the Act.

Nine SPSEs have incurred CSR expenditure of ₹ 19.86 crore lesser than the allocation made for the financial year 2022-23, as indicated in **Table No. 4.5** below:

Table No. 4.5: Statement showing SPSEs spending less than the allocation for the year

(₹ in crore)

Sl. No.	Company Name	Expenditure allocated	Actual Expenditure	Expenditure less than allocation
1	Karnataka Power Corporation Limited	9.68	2.49	(7.19)
2	Karnataka Renewable Energy Development Limited	1.16	0.90	(0.26)
3	Karnataka Soaps and Detergents Limited	3.95	3.24	(0.71)
4	Karnataka State Minerals Corporation Limited	12.99	4.13	(8.86)
5	The Hutti Gold Mines Company Limited	4.20	2.27	(1.93)
6	Karnataka State Police Housing and Infrastructure Development Corporation Limited	0.27	0.12	(0.15)
7	Karnataka State Electronics Development Corporation Limited	0.48	0.43	(0.05)
8	Karnataka State Beverages Corporation Limited	1.58	0.99	(0.59)
9	Karnataka Food and Civil Supplies Corporation Limited	0.89	0.77	(0.12)
	Total	**35.20**	**15.34**	**(19.86)**

Source: Data provided by SPSEs

- Only four SPSEs (KPCL, KREDL, KEONICS and KSBCL) transferred the unspent amount to specified account.
- Two SPSEs (HGML and KFCSCL) did not open a specified unspent CSR account in a scheduled bank to comply with the requirement.
- One SPSE (KSMCL), whose financial statements are yet to be certified (January 2024), claimed to have released ₹ 5.03 crore against ₹ 12.99 crore required to be spent for the year 2022-23, indicating a shortfall of ₹ 7.96 crore. On verification of funds released data, Audit observed that out of ₹ 5.03 crore, only ₹ 4.13 crore had been released during the year and balance amounting to ₹ 0.90 crore was released during November / December 2023 which translated to an actual shortfall of ₹ 8.86 crore during 2022-23.
- In one SPSE (KSDL), shortfall was due to erroneous accounting of entire amount of ₹ 3.95 crore transferred to its trust as CSR expenditure for the year instead of actual amount of ₹ 3.24 crore spent by the trust. The unspent amount was not transferred to specified account by the SPSE.

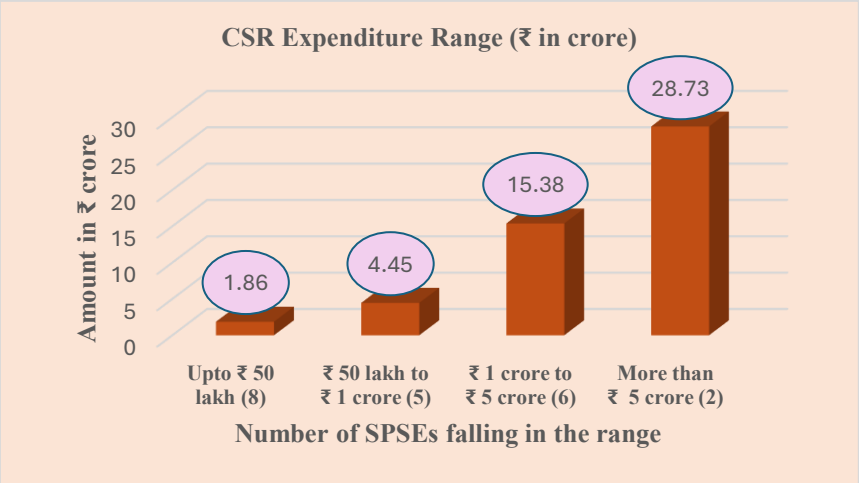
The issues of shortfall discussed above do not include an unspent amount of ₹ 0.04 crore related to one SPSE (KSIC) due to shortfall in allocation (₹ 0.88 crore) against the actual amount required to be spent (₹ 0.92 crore) for the year 2022-23 (refer ***Para 4.5***) and not transferred to specified bank account. The SPSE (KSIC) claimed to have spent ₹ 1.23 crore (refer **Table 4.3)**, *i.e.*, ₹ 0.35 crore more than the allocation of ₹ 0.88 crore made for the year. As per the data furnished by the SPSE, the expenditure of ₹ 0.35 crore pertained to funds released for three works taken up during 2017-18, which does not qualify for CSR expenditure, as the amended Rules do not allow setting off such amount beyond three succeeding years.

Range of CSR spend

4.5.5 As shown in **Chart 4.1** below, only eight SPSEs spent rupees one crore and above individually, out of ₹ 50.42 crore spent by 21 SPSEs during the financial year 2022-23.

Chart No. 4.1: Range wise break up of CSR expenditure for financial year 2022-23

(₹ in crore)

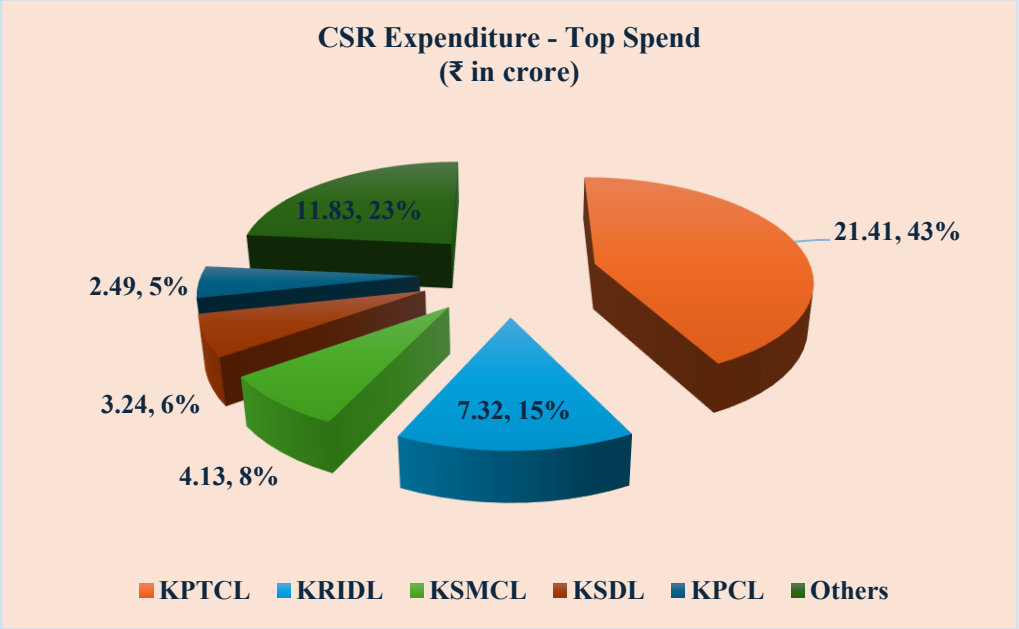


Top spenders

4.5.6 The top five spenders among 21 SPSEs, which are shown in **Chart No. 4.2,** spent ₹ 38.59 crore constituting 77 *per cent* of total CSR expenditure of ₹ 50.42 crore during the financial year 2022-23.

Chart No. 4.2: Top five spenders of CSR expenditure – FY 2022-23

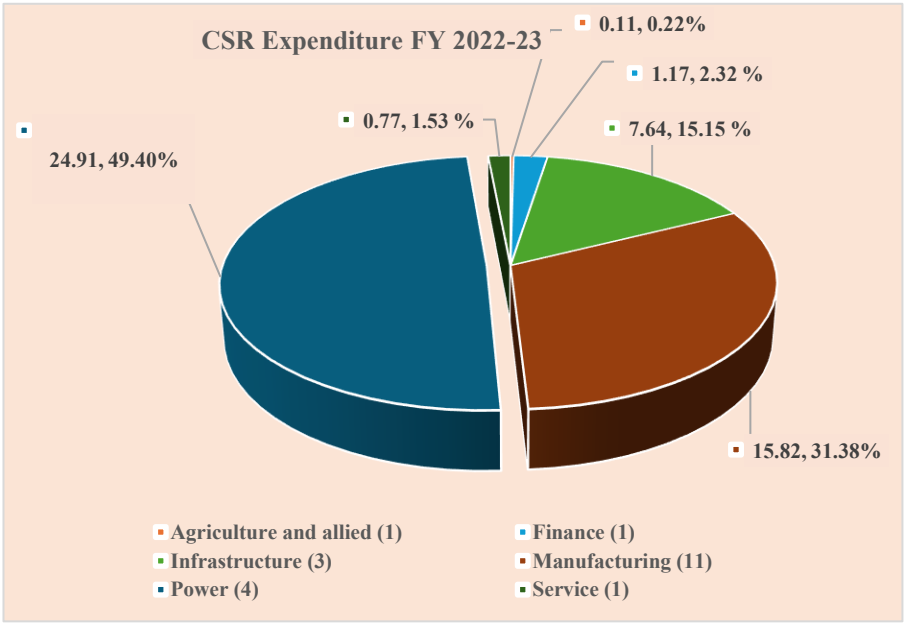
(₹ in crore)



Sector-wise CSR spend

4.5.7 The sector-wise details of CSR expenditure incurred by 21 SPSEs during the financial year 2022-23 is given in **Chart No. 4.3** below. Four SPSEs in power sector accounted for almost half of the total CSR expenditure followed by significant contributions from 11 SPSEs in manufacturing sector (31 *per cent*) and three SPSEs in infrastructure sector (15 *per cent*).

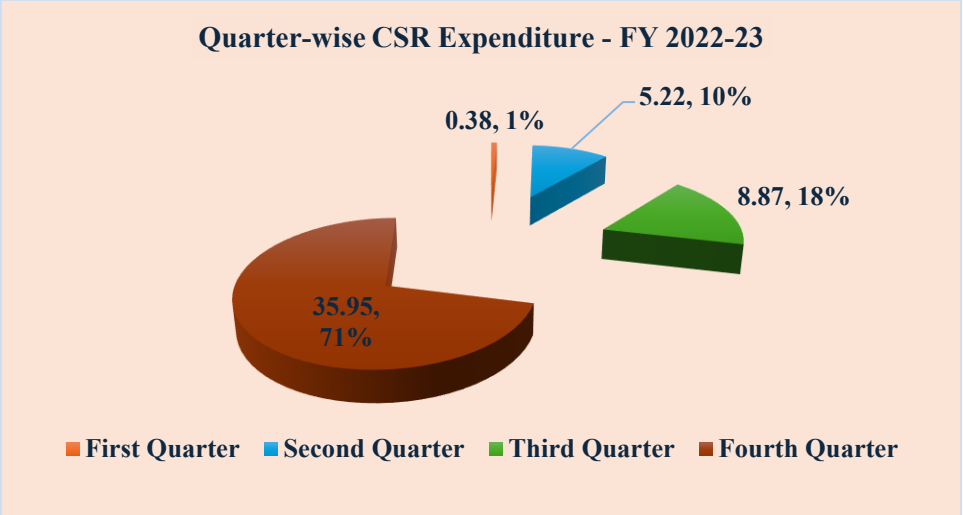
Chart No. 4.3: Sector-wise CSR Expenditure (₹ in crore)



Quarter-wise spend

4.5.8 One reason attributable to shortfall in expenditure against funds allocation approved by CSR Committee / Board is the delay in planning the CSR activities or the release of funds as discussed in ***Para 4.4.5 and 4.5.4.*** The quarter-wise spend on CSR activities by 21 SPSEs has been shown in **Chart No. 4.4**

Chart No. 4.4: Quarter wise expenditure (₹ in crore)



As could be seen from the chart, 71 *per cent* of funds were spent during the last quarter of the financial year.

4.6 Administrative overheads

Expenditure towards administration overheads, as defined in Rule 2 (b) of the amended CSR Rules, 2021 is admissible as CSR expenditure. As per Rule 7 (1) of the amended CSR Rules, 2021, the Board of Directors are required to ensure such expenditure towards administrative overheads does not exceed five *per cent* of total CSR expenditure of the Company for the financial year.

None of the 21 SPSEs had incurred expenditure towards administrative overheads during the financial year 2022-23.

4.7 Surplus from CSR projects, if any

As per Rule 7 (2) of the amended CSR Rules, 2021, any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

No instance of surplus generated out of CSR activities by 21 SPSEs was noticed during the financial year 2022-23.

4.8 Project Implementation

Selection of CSR projects/ activities

4.8.1 There was no established mechanism for undertaking baseline survey or need assessment studies for identifying the CSR project/activities. Recommendations made in CSR committee meetings of SPSEs indicated that fund allocation to CSR activities was based on review of proposals received and eligibility.

Manner of implementation of CSR activities

4.8.2 The Board of Directors are required to ensure that CSR activities are undertaken by company itself or through agencies specified[70] in Rule 4 (1) of amended Rules, 2022. Such entities or agencies covered under sub-rule (1) are required to register themselves with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from April 1, 2021.

SPSEs released CSR expenditure of ₹ 50.42 crore for 315 CSR activities during the year. Out of these, 181 activities (amount spent: ₹ 19.95 crore) were carried out by SPSEs on their own either by release of funds directly to beneficiaries or through Deputy Commissioners (DCs). The remaining 134 activities[71] (amount spent: ₹ 30.47 crore) were carried out by eleven SPSEs[72] through trusts / other beneficiaries who require registration with MCA.

Analysis of data revealed that MCA registration details were available for only 68 activities[73] (amounting to ₹ 4.34 crore) of two SPSEs (KSDL-64 / HGML-4). The MCA registration details were not obtained / not available for remaining 66 activities (amount spent: ₹ 26.13 crore) related to nine SPSEs (excluding KSDL and HGML).

Focus Area

4.8.3 As envisaged in Section 135 (3) (a) of the Act, every company is required to undertake CSR activities in the areas or subject specified in Schedule VII to the Act and Schedule VII, as amended from time to time, specified 12 areas / subject. The 21 SPSEs undertook CSR activities in nine out of 12 areas specified in Schedule VII during the year 2022-23. The details of contribution to each focus area are indicated in **Chart No. 4.5 below**:

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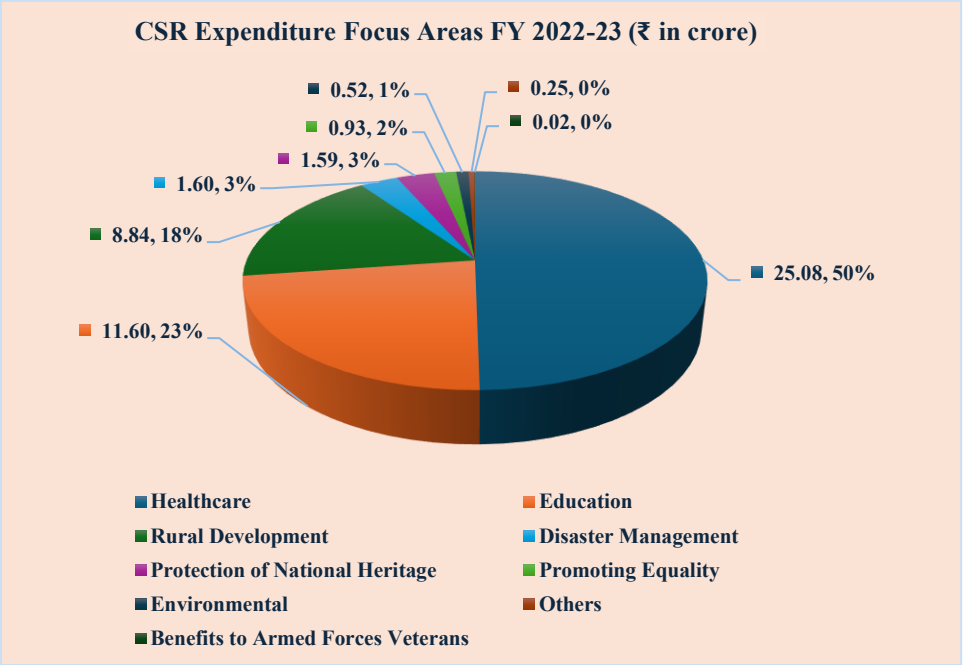
[70] (a) a Section 8 company or a registered public trust/ society (exempted under sub-clauses of Section 10 of the Act) established by the SPSE itself singly or along with any other company, or (b) a Section 8 company, a registered public trust/ society established by Central or State Government, or (c) any entity established under an Act of Parliament or a State legislature; or (d) an independent Section 8 company or a registered public trust/ society (exempted under sub-clauses of Section 10 of the Act) having an established track record of at least three years in undertaking similar activities.

[71] Funds released to registered trust, private trusts and beneficiaries other than public schools considered.

[72] KPTCL, KREDL, KSDL, KSMCL, HGML, MPVL, MESCOM, MSIL, KRIDL, KEONICS and KSBCL.

[73] Includes 64 works (amount spent ₹3.24 crore) executed by registered trust established by KSDL.

Chart No. 4.5: Focus Area-wise CSR Expenditure (₹ in crore)



The above chart indicates that three areas accounted for 90 *per cent* of total CSR expenditure with healthcare being the highest (50 *per cent*), followed by education (23 *per cent*) and rural development (18 *per cent*). No expenditure was incurred in three focus areas (sports, R&D in science and technology and slum development).

The top three SPSEs with major contributions in the above-mentioned specific focus areas were:

- KPTCL (₹ 18.45 Crore), HGML (₹ 1.25 Crore) and KSSIDC (₹ 1.08 Crore), for healthcare
- KSMCL (₹ 1.66 Crore), KSDL (₹ 1.66 Crore) and KPCL (₹ 1.56 Crore) for education,
- KRIDL (₹ 6.21 Crore), KSMCL (₹ 1.02 Crore) and KPCL (₹ 0.82 Crore) for rural development

Spent in local area

4.8.4 The first proviso to Section 135 (5) of the Act provides that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities. Stating that the spirit of the Act is to ensure that CSR initiatives are aligned with the national priorities and enhance engagement of the corporate sector towards achieving sustainable development goals, MCA clarified (August 2021) that the said proviso is only directory and not mandatory in nature and companies were required to balance local area preference with national priorities.

Entire amount of ₹ 50.42 crore has been allocated to CSR activities within the State of Karnataka[74].

4.9 Reporting Disclosure

Disclosures in Board's Report

4.9.1 As stipulated in Rule 8 (1) of the amended Rules, 2022, an annual report on CSR containing particulars specified in Annexure II of the rules (notified in September 2022) is required to be included in the Board's Report of a company for the financial year 2022-23.

The financial statements of four SPSEs (KSIC, KSMCL, KRIDL and KFCSCL) are yet to be certified and approval of Board's Report is pending for one SPSE (KSIIDC) as annual general meeting (AGM) for the financial year 2022-23 is yet to be held (January 2024) to facilitate verification of compliance with disclosure requirements.

In the remaining 16 SPSEs where Board's Report are approved and published or yet to be published, one SPSE (MPVL) did not prepare the annual report in prescribed format and attach the same to the Directors' Report, one SPSE (HGML) has adopted the annexure as per old 2014 Rules and five SPSEs (KSDL, KSPHIDCL, KSSIDC, KSBCL and CBIC-Tumkur) have adopted the annexure as per the amended Rules, 2021 which tantamounts to inadequate compliance.

Display of CSR activities on Company website

4.9.2 Rule 9 of the amended Rules, 2021 states that the Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.

Scrutiny of official websites of 21 SPSEs revealed that:

- One SPSE (CBIC-Tumkur) does not have a website to comply with the provisions and two SPSEs (MPVL and KFCSCL) did not upload these three components on their website.
- 12 SPSEs[75] did not to disclose composition of CSR committees.
    - Two SPSEs (KPTCL and KEONICS) did not disclose the composition of the committee for the year 2022-23 and are partially compliant.

[74] Except for an insignificant amount of ₹ 9,898/- contributed by one SPSE (MEI) to Prime Minister's National Relief Fund.

[75] KPCL, MESCOM, KSDL, MEI, KSIC, HGML, MSIL, MCA. KSSCL, KSPHIDCL, KSSIDC and KSBCL.

- Eleven SPSEs[76] failed to disclose the details of CSR projects approved by the Board on their website.
- Four SPSEs (KPCL, KPTCL, MSIL and KEONICS) have disclosed projects approved prior to the financial year 2022-23 and are partially compliant.

4.10 Monitoring Framework

Institutional Mechanism

4.10.1 Rule 5 (2) (d) of amended CSR Rules, 2021 stipulates that the CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of CSR policy which shall include monitoring and reporting mechanism for the projects or programs. MCA further clarified[77] (August 2021) that CSR is a Board driven process and the Board is empowered to monitor the CSR activities based on the recommendations of the CSR committee. The existing legal provisions such as mandatory disclosures, accountability of the CSR Committee and the Board and provisions for audit of accounts of the company provide sufficient mechanisms for monitoring.

The general review of CSR policies of the selected SPSEs (referred to in ***Para 4.4.3*)** revealed that the policies of five SPSEs (KPCL, MEI, MSIL, KEONICS and KSPHIDCL) do not mention any specific monitoring mechanism. Further, the non-compliance / inadequate compliance of CSR provisions discussed in earlier paragraphs such as non-updation of CSR policies to incorporate new / modified requirements, approval of CSR plans / budgets in second half of the financial year, non-opening specified account / transfer unspent balances to specified accounts, inadequate reporting disclosures, etc. are indicative of insufficient monitoring mechanism at selected SPSEs.

Audit also observed that out of 315 CSR activities undertaken by 21 SPSEs during the year, utilisation certificates (UCs) were to be obtained for 252 activities for which ₹ 45.70 crore was spent by 15 SPSEs[78]. Against this, UCs were obtained only for 85 activities (amount spent: ₹ 8.37 crore) by 12 SPSEs and UCs were yet to be obtained for 167 activities (amount spent: ₹ 37.33 crore) by 13 SPSEs.

[76] MESCOM, KSDL, MEI, KSIC, HGML, MCA. KSSCL, KRIDL, KSPHIDCL, KSSIDC and KSBCL.
[77] Clarification No.2.5 in General Circular No.14 / 2021 dated 25.08.2021.
[78] HGML, KEONICS, KPTCL, KREDL, KRIDL, KSBCL, KSDL, KSIC, KSIIDC, MCA, MESCOM, MPVL, MSIL, KSMCL and KSSIDC.

Recommendations:

9. ***The Finance Department, dealing in all those matters handled by the erstwhile Department of Public Enterprises (DPE), should prepare and issue guidelines on Corporate Social Responsibility duly considering applicable provisions of the Act and Rules.***
10. ***The Finance Department, in co-ordination with respective administrative ministries / departments, needs to ensure compliance to applicable provisions, rules and regulations on Corporate Social Responsibility by all State Public Sector Enterprises (SPSEs).***
11. ***All SPSEs should ensure compliance specifically related to:***
    - ***Composition of CSR Committee and periodical updation of CSR policies by committee / Board,***
    - ***Assessment of requirement in advance and timely approval of CSR plans / budget,***
    - ***Proper allocation and effective utilization of CSR funds as well as ensure transfer of unspent amount to specified funds,***
    - ***Establish effective monitoring mechanism and ensure receipt of utilization certificates immediately after completion of activities.***
    - ***Ensure proper compliance to reporting disclosures both in Directors' Report as well as official website.***

Chapter V

Implementation of Indian Accounting Standards by Government Companies

Chapter - V

Implementation of Indian Accounting Standards by Government Companies

5.1 Introduction

The Ministry of Corporate Affairs (MCA), Government of India (GoI) notified (February 2015) the Indian Accounting Standards (Ind AS), under Section 133 of the Companies Act 2013 vide Companies (Indian Accounting Standards) Rules, 2015 keeping the Indian economic and legal environment in view and by referring to International Financial Reporting Standards (IFRS). The Ind AS was modelled on the IFRS which was different from the Indian Generally Accepted Accounting Principles (IGAAP) framework on three aspects *i.e.* fair valuation, substance over legal form and emphasis on the Balance Sheet.

The MCA from time to time notifies changes[79] in the Ind AS to keep in line with the IFRS through amendments in Companies (Indian Accounting Standards) Rules, 2015. The 39 Ind AS that were notified by MCA, GoI under Ind AS Rules and applicable as on 31 March 2023 are given in ***Appendix - 15***.

5.2 Implementation of Ind AS

The Companies (Indian Accounting Standards) Rules, 2015 (Ind AS Rules), as amended up to 31 March 2023, have laid down a roadmap for implementation of Ind AS in a phased manner. Rule 4 of these rules provided that the companies and their auditors shall comply with the Ind AS specified in these rules, in preparation of their financial statements and audit respectively. As per Rule 4 (9), once a company starts reporting as per the Ind AS either voluntarily or mandatorily, it cannot revert to IGAAP.

The different types / phases for implementation of Ind AS is as follows:

Voluntary adoption

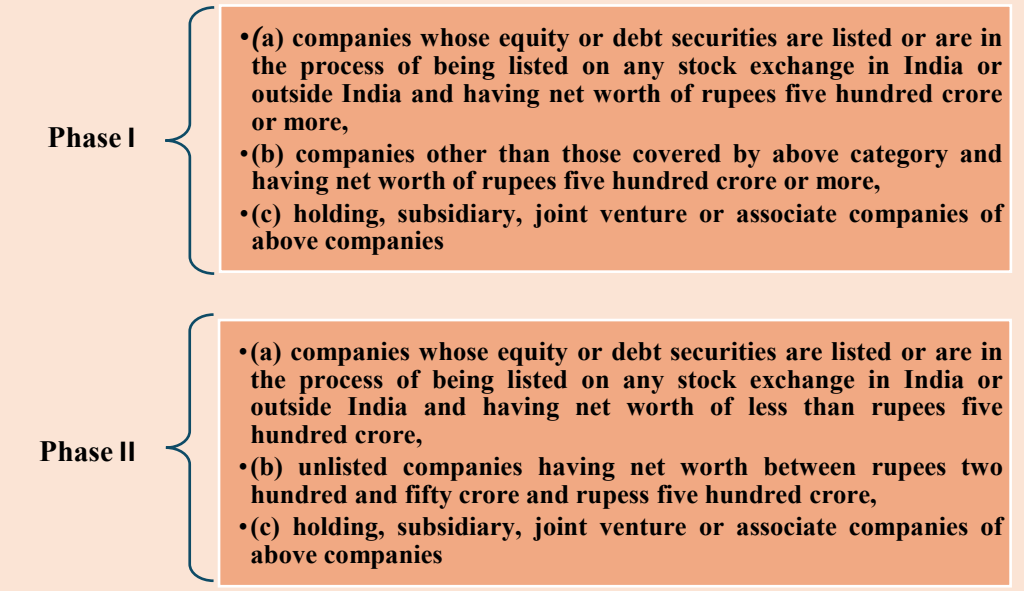
5.2.1 As per Rule 4 (i) of Ind AS Rules any company may comply with the Ind AS for the financial statements beginning on or after 1 April 2015, with comparatives for the periods ending on 31 March 2015, or thereafter.

Phase-wise adoption of Ind AS

5.2.2 Rule 4 (ii) of Ind AS Rules states that the following companies shall comply with the Ind AS for the financial statements beginning on or after 1 April 2016 (Phase-I) and beginning on or after 1 April 2017 (Phase-II) respectively as detailed in **Chart No.5.1**.

[79] Ind AS Rules, 2015 originally notified on 16.02.2015 have been amended from time to time between 30.03.2016 and 31.03.2023.

Chart No 5.1: Rule position for following IND AS



5.3 Scope and Coverage of Audit

Audit Objectives

5.3.1 The Audit Objectives are devised to assess:

- The compliance with provisions related to Ind AS implementation by respective SPSEs at the time of adoption of Ind AS and
- The impact of implementation of Ind AS in their financial statements.

Scope of audit

5.3.2 As on 31 March 2023, there were 121 Government / Government Controlled Companies. Of these, 33 SPSEs[80] have adopted Ind AS as on 31 March 2023 (details in ***Appendix - 16***).

The phase-wise adoption of Ind AS by these SPSEs is given in **Table 5.1** below:

Table No. 5.1: Details of adoption of Ind AS by 33 SPSEs

Sl. No.	Particulars	No of SPSEs
1	Number of SPSEs who have adopted Ind AS under Phase I during FY 2016-17 (with transition date of 01.04.2015 - 11 SPSEs and first accounts – three SPSEs)	**14**
2	Number of SPSEs who have adopted Ind AS under Phase II during FY 2017-18 (with transition date of 01.04.2016 - nine SPSEs and first accounts – one SPSE)	**10**
3	Number of SPSEs who have adopted Ind AS in subsequent years (with transition date of 01.04.2017 - seven SPSEs during FY 2018-19 and others during year in which criteria was met – two SPSEs)	**09**

Source: Data compiled by Audit

[80] Include four SPSEs (DSCL, VJNL, BSCL-Belagavi and TSCL) who were incorporated after notification of Ind AS Rules, 2015 and adopted Ind AS in their first accounts.

Audit Methodology

5.3.3 Standalone financial statements of 29 SPSEs, which have transitioned from IGAAP framework to Ind AS framework, were reviewed in Audit. The compliance of various provisions of Ind AS and disclosures made in financial statements of SPSEs on the impact of implementation of Ind AS (with reference to changes because of adoption of Ind AS) on the revenues, profit after tax (PAT), net worth and total assets of the Government Companies were also analysed.

5.4 Review of first-time adoption of Ind AS

Exemptions to the retrospective application

5.4.1 The underlying principle of Ind AS 101 is that a first-time adopter should prepare financial statements as if it had always applied Ind AS. However, the Standard permitted two types of exemptions to the principle of full retrospective application of Ind AS. These exemptions are classified as mandatory exemptions and voluntary exemptions.

Mandatory Exemptions: Paragraph 13 of Ind AS 101 prohibits retrospective application of some specific aspects of other Ind AS, as set out in paragraphs 14-17 and Appendix B, *viz*. Ind AS 10 (Events after the Reporting Period), Ind AS 109 (Financial Instruments) and Ind AS 110 (Consolidated Financial Statements), etc.

Optional Exemptions: Provisions of Ind AS 101 grant exceptions/ exemptions from specific requirements of other Ind AS. Appendix B to Ind AS 101 specifies the exceptions available for retrospective application of other Ind ASs. As per Paragraph 18 of Ind AS 101, an entity may elect to use one or more of the exemptions contained in Appendix C (exemptions for business combinations) and Appendix D (exemptions from other Ind ASs) to Ind AS 101.

Audit analysis of disclosures by 29 SPSEs revealed that ten SPSEs (CNNL, HGML, MCA, MSIL, PCKL, CBIC-Tumkur, FKL, KBJNL, KFCSCL and RPCL) did not make separate disclosure of optional exemptions availed on Ind AS adoption and one SPSE (KTCPL) had disclosed that it had not availed any optional exemptions. Remaining 18 SPSEs have availed one or more optional exemptions in preparation of their financial statements at the time of adoption of Ind AS. The SPSE-wise details of optional exemptions availed are given in ***Appendix - 17*** and the abstract is tabulated in **Table 5.2** below:

Table No. 5.2: Statement of optional exemptions availed by SPSEs

Sl. No.	Optional exemption reference	No of SPSEs
01	**Ind AS 16- Property, Plant and Equipment (PPE), Ind AS 38- Intangible Assets and Ind AS 40- Investment Property:** Paragraphs D5 /D6 of Appendix D to Ind AS 101 permits a first-time adopter to elect to measure its assets viz. PPE, intangible assets, and investment property, at the date of transition to Ind AS at its fair value and use that fair value as its deemed cost at that date or may continue to measure at their IGAAP carrying value after making necessary adjustments for decommissioning liabilities.	**18 SPSEs**

Sl. No.	Optional exemption reference	No of SPSEs
	As per Paragraph D7, the provisions of paragraphs D5 / D6 are also available for investment property, accounted for in accordance with the cost model in Ind AS 40, Investment Property; and the intangible assets that meets recognition / revaluation criteria in Ind AS 38.	
02	**Ind AS 17- Lease**[81] Paragraphs D9 of Appendix D to Ind AS 101 permits the first-time adopter to evaluate whether an arrangement existing at the date of transition contains a lease on the basis of facts and circumstances existing at the date of transition, except where the effect is expected to be not material.	**04 SPSEs**
03	**Ind AS 20- Government Grants and disclosure of Government Assistance** Paragraphs B10 of Appendix B to Ind AS 101 permits the first-time adopter to classify the benefit of a Government loan at a below-market rate of interest as a government grant prospectively.	**02 SPSEs**
04	**Ind AS 21- Long Term Foreign Currency Monetary Items** As per paragraphs D13AA of Ind AS 101, first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP.	**01 SPSE**
05	**Ind AS 27- Separate Financial Statement** As per paragraphs D14 / D15 of Ind AS 101, in case of separate financial statements, Ind AS 27 requires an entity to account for its investments in subsidiaries, jointly controlled entities and associates either at cost or in accordance with Ind AS 109 (Financial Instruments). If a first-time adopter measures such an investment at cost in accordance with Ind AS 27, then it shall measure that investment either at cost or at deemed cost in its separate opening Ind AS Balance Sheet	**05 SPSEs**
06	**Ind AS 103 – Business Combinations** Paragraph C1 of Appendix C to Ind AS 101 permits a first-time adopter may elect not to apply Ind AS 103 retrospectively to past business combinations (business combinations that occurred before the date of transition to Ind AS).	**02 SPSEs**
07	**Ind AS 109- Financial Instruments (Designate financial asset / investment)** Ind AS 101 permits an entity to designate a financial asset as measured at fair value through profit or loss (D19A) and investment in equity instrument measured at fair value through other comprehensive income (D19B) in accordance with the provisions of Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS.	**04 SPSEs**
	Ind AS 109- Financial Instruments (Impairment of financial assets) Ind AS 101 (B8D/B8E) dealing with retrospective application of impairment requirements of Ind AS 109 permits use of reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised to compare that to the credit risk at the date of transition to Ind AS. An entity is also not required to undertake an exhaustive search for information when determining, at the date of transition to Ind ASs, whether there have been significant increases in credit risk since initial recognition.	**02 SPSEs**

Source: Data compiled by Audit

Disclosure of reconciliation statements on first time adoption

5.4.2 Paragraph 23 of Ind AS 101 requires an entity to explain how the transition from previous GAAP to Ind ASs affected its reported Balance sheet, financial performance and cash flows. To comply with the requirement, Paragraph 24 of

[81] Ind AS 17 – Lease has since been superseded by Ind AS 116 – Leases in March 2019.

Ind AS 101 stipulates inclusion of a statement of reconciliation of its equity in the first Ind AS financial statement of an entity for both (i) the date of transition to Ind AS and (ii) the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP. Further, an entity is also required to include a statement of reconciliation to its total comprehensive income in accordance with Ind ASs for the latest period in the entity's most recent annual financial statements. Para 25 of Ind AS 101 states that if an entity presented a statement of cash flows under its previous GAAP, it shall also explain the material adjustments to the statement of cash flows.

Audit analysis of disclosures by 29 SPSEs revealed that (i) three SPSEs (KPTCL, KREDL and RPCL) were not required to prepare reconciliation statements as their transition to Ind AS had no impact on the financial position (ii) the first Ind AS financial statements of five SPSEs (CNNL, HGML, MCA, MSIL and PCKL) did not include all three reconciliation statements and (iii) the statement on impact of Ind AS adoption on cash flows was not included by 11 SPSEs[82].

Only CNNL had disclosed that comparative figures for statement of profit and loss were not available as the same was prepared for the first time since its inception.

5.5 Impact of implementation of Ind AS on selected key areas

The implementation of various provisions of Ind AS can impact the valuation of Profit after Tax (PAT), Revenues, Total Assets and Net Worth. The values may increase or decrease depending on the options availed by the SPSE at the time of adoption of Ind AS.

As indicated in ***Paragraph 5.4.2***, three SPSEs stated that that transition to Ind AS had no impact on their financial position and five SPSEs failed to comply with the disclosure requirements. In one SPSE (TPL), the net impact of transition to Ind AS on both equity as well as total comprehensive income was 'NIL'.

Audit analysis of disclosures made by remaining 20 SPSES revealed that separate disclosure on the impact of transition to Ind AS on entity's financial statements was not made by seven SPSEs[83].

Impact on Profit after Tax (PAT)

5.5.1 The impact of adoption of Ind AS on Profits after Tax (PAT) was insignificant in one SPSE (KAMCPL: ₹ 0.03 lakh) and was NIL in two SPSEs (KTCPL and MESCOM). The remaining 17 SPSEs reported a net impact of decrease in PAT by ₹ 9,614.05 crore as given in **Table No. 5.3**.

[82] BESCOM, BRADCL, CBIC-Tumkur, KBJNL, KPCGPCL, KPCL, KSBCL. KSDL, KSIIDC, KSMCL and MESCOM.
[83] BESCOM, BRADCL, CBIC-Tumkur, FKL, KFCSCL, KSIIDC AND KSMCL.

Table No. 5.3: Statement showing SPSE-wise impact on Profit after Tax (PAT)

Sl. No.	Name of the SPSE	Impact	Amount (₹ in crore)
1	Dr.B.R. Ambedkar Development Corporation Limited (BRADCL)	Decrease in PAT	(19.57)
2	CBIC Tumakuru Industrial Township Limited (CBIC Tumkur)	Decrease in PAT	(0.02)
3	Chamundeshwari Electricity Supply Corporation Limited (CESC)	Decrease in PAT	(2.17)
4	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL[84])	Decrease in PAT	(20.62)
5	Karnataka State Minerals Corporation Limited (KSMCL)	Decrease in PAT	(9,531.94)
6	Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC)	Decrease in PAT	(335.10)
7	Bangalore Electricity Supply Company Limited (BESCOM)	Increase in Loss	19.44
8	Krishna Bhagya Jala Nigam Limited (KBJNL)	Increase in Loss	32.95
9	KPC Gas Power Corporation Limited (KPCGPCL)	Increase in Loss	0.01
Net decrease in PAT			**(9,961.82)**
10	Food Karnataka Limited (FKL)	Increase in PAT	0.08
11	Karnataka Forest Development Corporation Limited (KFDCL)	Increase in PAT	11.42
12	Karnataka Power Corporation Limited (KPCL)	Increase in PAT	226.88
13	Karnataka Rural Infrastructure Development Limited (KRIDL)	Increase in PAT	12.62
14	Karnataka State Beverages Corporation Limited (KSBCL)	Increase in PAT	0.08
15	Karnataka Soaps and Detergents Limited (KSDL)	Increase in PAT	14.93
16	Gulbarga Electricity Supply Company Limited (GESCOM)	Decrease in Loss	(45.78)
17	Karnataka Neeravari Nigam Limited (KNNL)	Decrease in Loss	(35.98)
Net increase in PAT			**347.77**
Net impact (Decrease in PAT)			**(9,614.05)**

Source: Data compiled by Audit

The significant impact due to transition from IGAAP to Ind AS was seen in KSMCL (decrease in PAT by ₹ 9,531.94 crore) and KPCL (increase in PAT by ₹ 226.88 crore).

Factors contributing to increase / decrease in Profit or Loss

5.5.2 The changes in valuation of different items of revenue, expenditure, assets and liabilities due to adoption of Ind AS can materially affect the PAT of an entity. The following factors, to the extent specifically disclosed in the Ind AS financial statements or, contributed to increase/ decrease in PAT.

Prior Period errors or Omissions

5.5.3 As required under IND AS 8, if errors and omissions relating to prior periods are material, they have to be adjusted by restating the opening balances of assets, liabilities and equity for the earliest prior periods presented.

[84] The statutory auditors have adversely qualified that the disclosure by KFCSCL is improper and an inadequate compliance of Ind AS 101 provisions.

The following changes occurred due to recognition of prior period errors and omissions:

- KNNL recorded a decrease in loss by ₹ 37.51 crore.
- KPCGPCL recorded an increase in loss by ₹ 0.01 crore.
- KPCL recorded an increase in profit by ₹ 3.83 crore.
- KRIDL recorded a net increase in profit by ₹ 13.46 crore
- GESCOM recorded a decrease in loss by ₹ 45.78 crore.
- CESC recorded a net decrease in profit by ₹ 0.96 crore.
- KSBCL recorded an increase in profit by ₹ 0.23 crore.

Increase/decrease due to recognition of deferred taxes

5.5.4 Ind AS 12 (Income Taxes) focuses on accounting of temporary difference between the carrying amount of an asset or liability in the balance sheet and its tax base whereas deferred tax accounting under IGAAP focuses on difference between taxable profit and accounting profit for the period.

Due to recognition of deferred tax as per Ind AS, two SPSEs, KPCL and KRIDL recorded increase in profit by ₹ 3.41 crore and ₹ 1.24 crore respectively.

Change in valuation of liabilities towards post- employment benefits

5.5.5 Under IGAAP, entire cost including actuarial gain/loss forms part of the profit or loss for the year whereas under Ind AS 19, such measurements are recognized under other comprehensive income. The following changes occurred due to changes in valuation of liabilities towards post- employment benefits under Ind AS:

- KPCL recorded an increase in profit by ₹ 228.72 crore due to re-measurement of actuarial loss and reversal of past service cost.
- KRIDL recorded a net decrease in profit by ₹ 2.08 crore.
- CESC recorded a decrease in profit by ₹ 1.21 crore.

Increase / decrease due to other factors

5.5.6 Apart from the above, other factors that contributed to the increase / decrease in profit in three SPSEs are as detailed below:

- KPCL recorded an increase in profit by ₹ 5.04 crore due to proportionate adjustment of depreciation and decrease in profit by ₹ 14.34 crore due to de-capitalisation of administrative overheads.
- KSDL recorded an increase in profit by ₹ 14.93 crore due to impact on

valuation gain in assets not passed through Profit and Loss account.

- KBJNL recorded an increase in loss by ₹ 32.95 crore due to increase in other expenses because of derecognition of expenses on assets held for transfer to Government and increase in depreciation cost due to derecognition of grants for fixed assets.

Impact on Revenue

5.5.7 Under erstwhile[85] Ind AS 18 (Revenue), which was applicable during first time adoption of Ind AS, 'Revenue' is the gross inflow of economic benefits that arise in the ordinary course of activities of an entity which results in increase in equity, other than increases relating to contributions from equity participants. As per the IGAAP (AS 9 – Revenue Recognition), Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an entity from the sale of goods, from the rendering of services and from the use by others of entity resources yielding interest, royalties and dividends.

Audit analysis of disclosures revealed that only five SPSEs had carried out adjustments to revenues during adoption of Ind AS, of which only one SPSE (KPCL) reported significant decrease (₹ 134.60 crore) in revenue whereas the remaining four SPSEs reported an increase of ₹ 59.46 crore in revenue as indicated in **Table No. 5.4** below:

Table No. 5.4: Statement showing SPSE-wise impact on Revenue

Sl. No.	Name of the SPSE	Impact	Amount (₹ in crore)
1	CBIC Tumakuru Industrial Township Limited (CBIC Tumkur)	Increase in revenue	0.01
2	Food Karnataka Limited (FKL)		0.24
3	Karnataka Neeravari Nigam Limited (KNNL)		0.13
4	Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC)		59.08
			59.46
5	Karnataka Power Corporation Limited (KPCL)	Decrease in revenue	(134.60)
	Net decrease in revenue		**(75.14)**

Source: Data compiled by Audit

Factors contributing to increase / decrease in revenue

5.5.8 None of the SPSEs made disclosure, as required under Ind AS 101, explaining the impact of transition to Ind AS specifically affected on revenue.

Impact on Value of Total Assets

5.5.9 Paragraph D5 / D6 of Appendix D to Ind AS 101 provides optional exemption to entities (***referred to at Sl. No. 1 of Table 5.2 – Para 5.4.1***) towards valuation of assets under under Ind AS 16 – Property, Plant and Equipment

[85] Ind AS 18 – Revenue has since been substituted by Ind AS 115 – Revenue from contract with customers wherein the terms revenue and income have been defined separately.

(PPE), Ind AS 38 – Intangible assets, Ind AS 32 – Financial Instruments: Presentation, Ind AS 109 – Financial Instruments and Ind AS 40 – Investment Property. Total value of assets is impacted upon implementation of Ind AS due to difference in methods of accounting prescribed thereon, when compared to IGAAP.

Audit analysis revealed that 14 SPSEs recorded increase / decrease in total value of assets, with corresponding increase / decrease in liabilities after transition to Ind AS. Impact was found to be insignificant in two SPSEs (KAMCPL- reduction by ₹ 0.02 lakh and KSBCL – increase by ₹ 0.11 lakh) and six SPSEs have recorded an increase (₹ 2728.23 crore) and decrease (₹ 921.07 crore) in value of assets respectively as stated in **Table No. 5.5** below:

Table No. 5.5: Statement showing SPSE-wise impact on total value of assets and liabilities

Sl. No.	Name of the SPSE	Impact	Amount (₹ in crore)
1	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL[86])	Decrease in value of assets	(472.42)
2	Karnataka State Minerals Corporation Limited (KSMCL)		(423.29)
3	Food Karnataka Limited (FKL)		(16.33)
4	Bangalore Electricity Supply Company Limited (BESCOM)		(7.09)
5	Karnataka Rural Infrastructure Development Limited (KRIDL)		(1.92)
6	Karnataka Trustee Company Private Limited (KTCPL)		(0.02)
Net decrease (A)			**(921.07)**
7	Karnataka Forest Development Corporation Limited (KFDCL)	Increase in value of assets	14.73
8	Mangalore Electricity Supply Company Limited (MESCOM)		46.70
9	Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC)		285.92
10	Karnataka Soaps and Detergents Limited (KSDL)		314.85
11	Gulbarga Electricity Supply Company Limited (GESCOM)		905.38
12	Karnataka Power Corporation Limited (KPCL)		1160.65
Net increase (B)			**2,728.23**
Net impact (increase in value of assets) (B-A)			**1,807.16**

Source: Data compiled by Audit

The maximum increase in the value of assets and liabilities was seen in KPCL at ₹ 1,160.65 crore and significant decrease in the value of assets and liabilities was seen in two SPSEs viz., KFCSCL (₹ 472.42 crore) and KSMCL (₹ 423.29 crore).

5.6 Factors contributing to increase / decrease in value of Total Assets

Audit scrutiny of disclosures made by SPSEs revealed that factors related to change in policy towards recognition of government grants, deferred taxes, PPE, investment at fair value and various other reasons have contributed to increase / decrease in value of total assets as discussed below:

[86] The statutory auditors have adversely qualified that the disclosure by KFCSCL is improper and an inadequate compliance of Ind AS 101 provisions.

Change in policy for recognition of Government Grants

5.6.1 As per Ind AS 20, Gross accounting of government grant is required to be followed and net accounting is prohibited. Audit observed that due to adoption of Ind AS, One SPSE (KPCL) has adjusted the value of Property, Plant, and equipment (including the value of capital work in progress) to the extent of ₹ 1159.59 crore, of which ₹ 7.65 crore was towards adjustment of government grant as on the transition date.

Change in policy of deferred tax

5.6.2 Under Ind AS, an entity is required to follow the balance sheet approach for recognising deferred taxes, while Indian GAAP mandates income statement approach in recognising deferred taxes. Difference between tax base and book base of property, plant and equipment and employee benefits have been recognised due to proportionate depreciation provided for the assets purchased. In view of this:

- GESCOM recorded a decrease in deferred tax assets (net) by ₹ 8.99 crore.
- KRIDL recorded a decrease in deferred tax assets (net) by ₹ 1.92 crore.

Change in policy for recognition of Property, Plant and Equipment

5.6.3 Audit observed that:

- On transition, the deemed cost of land was restated at ₹ 1,193.88 crore due to valuation of free-hold land at fair value, in KPCL.
- GESCOM has revalued the entire class of land and credited revaluation reserve by ₹ 914.37 crore by adopting a fair value based on the local market surveys and from market enquiries/valuation of lands by independent valuers considering the rates fixed by the State Government, the municipal limits where the respective lands are situated, considering the proximity/connectivity's to the towns/cities and availability of similar kind of properties as duly assessed in the active markets.
- KFDCL(Forest) reported a decrease in value of PPE by ₹ 3.33 crore.
- MESCOM recorded an increase in value of PPE by ₹ 46.70 crore.

Recognition of investment at fair value

5.6.4 Under the IGAAP, investment is recognized at cost whereas the same is recognized at fair value as per Ind AS. Due to adoption of Ind AS, one SPSE (KFDCL (Forest)) recorded an increase in Investment property by ₹ 0.66 crore.

Increase/decrease due to other factors

5.6.5 The other reasons for change in value of total assets were as under:

- KFDCL (Forest) recorded a net increase in biological assets by ₹ 16.30 crore due to reclassification. Further, it recorded an increase in Non-current assets held for sale by ₹ 1.35 crore due to fair valuation. It also recorded a decrease in Investment by ₹ 0.26 crore.
- KRIDL recorded an increase in Investment property by ₹ 10.73 crore and corresponding decrease in property, plant and equipment due to reclassification.
- KSDL recorded an increase of ₹ 299.92 crore due to impact on account of reinstatement of previous period because of valuation gain, non-repayable interest free loan taken to other reserves and deferred taxes. It also recorded an increase of ₹ 14.93 crore due to impact on account of valuation gain in assets or liabilities that did not pass through P&L account.
- KTCPL recorded a decrease in other current assets by ₹ 0.02 crore.

5.7 Impact on Net Worth

Net worth is the difference between the value of assets and the liabilities of a company. Net worth is arrived at by reducing from the aggregate value of the paid-up share capital, free reserves and securities premium account, the aggregate value of accumulated losses, deferred expenditure and miscellaneous expenditure not written off. Free reserves do not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.

Adoption of Ind AS mandates preparation of an opening Ind AS Balance Sheet at the date of transition to Ind ASs. The accounting policies that an entity uses in its opening Ind AS Balance Sheet may differ from those that it used for the same date using IGAAP.

None of the SPSEs had assessed and disclosed the impact of transition to Ind AS on their net worth and factors responsible for such impact in their first Ind AS financial statements. As such, the impact of transition on net worth for relevant accounting periods could not be commented upon.

5.8 Non-compliance of disclosure requirements by new SPSEs

Para 28 of Ind AS 101 on first time adoption of Ind AS requires an entity to disclose the factual position in its first Ind AS financial statements if it does not present financial statements for previous periods.

Out of four new SPSEs (DSCL, VJNL, BSCL-Belagavi and TSCL) incorporated between May 2016 and February 2017 (after notification of Ind AS Rules, 2015), two SPSEs (DSCL and BSCL-Belagavi) did not disclose the factual position on non-presentation of comparative figures. The SPSEs attributed this to the fact that it was the first time that first financial statements were prepared according to Ind AS.

Chapter VI

Compliance Audit Paragraphs

Chapter - VI

Compliance Audit Observations on State Public Sector Enterprises

This chapter deals with Compliance Audit Observations on State Public Sector Enterprises (SPSEs). Important findings emerging from audit that highlight deficiencies in planning, contract management and other activities in the operations of SPSEs are included in this Chapter.

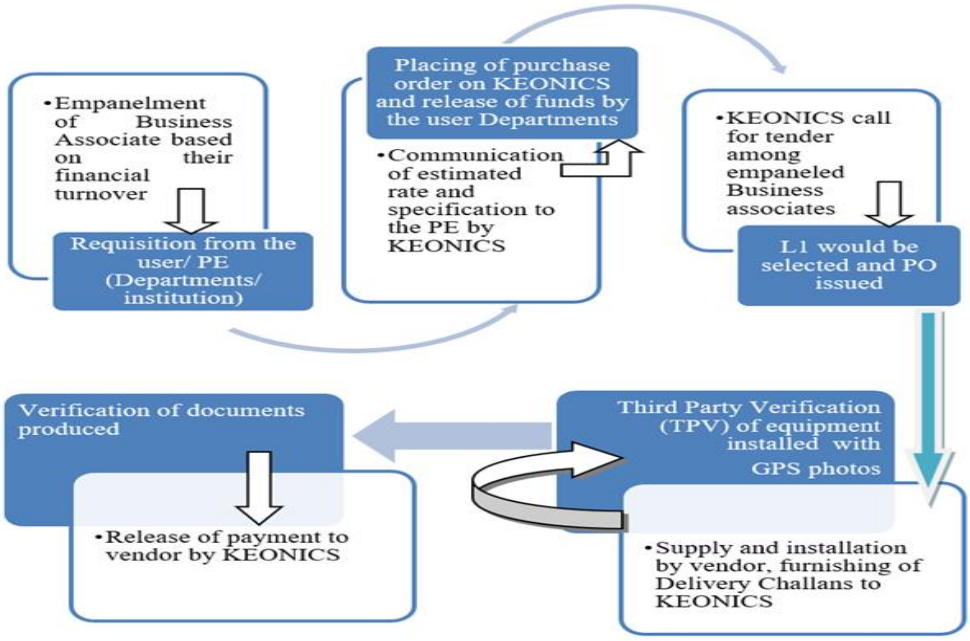
Karnataka State Electronics Development Corporation Limited

6.1 Procurement activities in Karnataka State Electronics Development Corporation Ltd (KEONICS)

6.1.1 Introduction

Karnataka State Electronics Development Corporation Limited (KEONICS) was established in 1976 with the sole objective of promoting electronics industries in Karnataka. The corporation is mandated to provide infrastructure for IT industries, IT education to the masses and state-of-the art products and service for e-Governance. KEONICS' IT solutions span the areas of ERP solutions, web portals, software development, IT consultancy, IT training and networking. KEONICS endeavours to provide state-of-the art technology solutions to customers to keep pace with the changing technology. The process of procurement of equipment by KEONICS through its empanelled Business Associates (BAs) to meet the requirements of Procuring Entities (PEs), ensuring supply/installation at the delivery points as required by PEs, and verification of bills and releasing of payments to BAs are shown in the following *Chart No.6.1.1*.

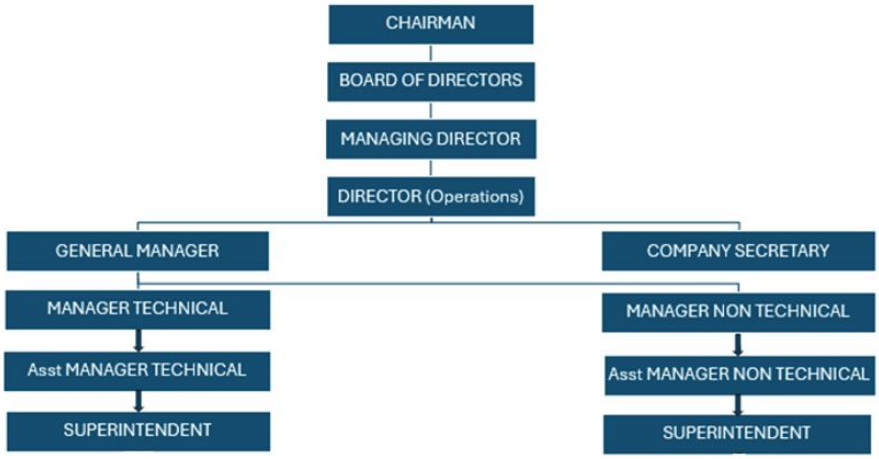
Chart No. 6.1.1: Flowchart showing Procurement Process in KEONICS



6.1.2 Organisational Set-up

The organisation structure of KEONICS is as below.

Chart No.6.1.2: Organisation structure of KEONICS



6.1.3 Audit Objective

The Audit was taken up to examine whether procurement of equipment through KEONICS by Government Departments and Agencies (Procurement Entities or PEs) was transparent and in accordance with the prescribed procedures.

6.1.4 Sources of Audit Criteria

The Criteria for this Audit include Karnataka Transparency in Public Procurements Act[87] (KTPP Act) and Rules, Karnataka Financial Code (KFC), GoK orders/ circulars and Guidelines issued from time to time.

6.1.5 Scope of Audit

The Audit was conducted between March and December 2023 and involved scrutiny of records for the period from 2018-19 to 2022-23. Audit scope was restricted to supply of equipment by KEONICS. The supply of manpower by KEONICS to Departments/ institutions was outside the scope of the Audit.

As per the information furnished to Audit, KEONICS facilitated supply of equipment valued at ₹ 1,544.50 crore to different Government Departments and other institutions during the period from 2018-19 to 2022-23. Of these, Audit

[87] Under Section 2(d) of the KTPP Act, 'Procurement Entity' means any Government Department, a State Government Undertaking, Local Authority or Board, Body or Corporation established by or under any law and owned or controlled by the Government, and any other body or authority owned or controlled by the Government and as may be specified by it.

selected transactions executed by KEONICS for the following six Departments/ institutions on stratified[88] random sampling basis for detailed verification:

1. Bruhat Bengaluru Mahanagara Palike (BBMP);
2. Minority Welfare Department (MWD);
3. Tribal Welfare Department (TWD);
4. Karnataka Thanda Development Corporation Limited (KTDCL);
5. Department of Technical Education (DTE); and
6. Forest Department.

As KEONICS did not share the data relating to Purchase Orders (POs) for the year 2018-2019, Audit selected 347 Purchase Orders (POs) relating to 2019-2023 for 14 types of equipment[89] (amounting to ₹ 240.98 crore) relating to the above departments for examination. The details are given in *Appendix - 18*.

6.1.6 Audit Methodology

Audit examined the records provided by KEONICS relating to the supply of sampled equipment to selected PEs. Records relating to tender formulation, identification of suppliers (called Business Associates (BAs)/Vendors by KEONICS) for different equipment were also reviewed. The supply price of equipment to PEs was cross-checked with OEMs and other Government/private suppliers. The delivery and installation of equipment in sample cases was physically verified by Audit and information on post-sale services provided by the BAs and third-party was also examined. Further, records relating to payments received from the PEs and payments made to the BAs were scrutinized.

Based on the above examination, Audit observed the following issues/ gaps in functioning of KEONICS, specifically with respect to BA empanelment, supply and delivery of goods, third party verification, etc. which are discussed in the *paragraphs 6.1.7.1 to 6.1.7.6*.

An Entry Conference was held on 30 May 2023. The Draft Audit Report was issued to the Government on 14 February 2024. An exit conference was held on 18 April 2024 and replies to the draft report furnished by KEONICS were endorsed by the State Government on 07 May 2024. Government accepted all the observations and recommendations made by Audit. It was stated that Standard Operating Procedures would be framed to streamline the procurement process through KEONICS and for this purpose, a Technical Advisory

[88] The procuring Departments/institutions were classified into two categories *i.e.,* total procurement value above and below ₹ 20 crore. Out of 13 Departments/institutions which procured for ₹ 20 crore or above, four were selected. Of the remaining two PEs were selected.

[89] 1. Audit Systems, 2. CCTV, 3. Computer and Accessories, 4. Computer Lab Setup, 5. Drone Camera, 6. High mast light, 7. Laptops, 8. Learning TV, 9. Printer and Accessories, 10. RO Water purifiers, 11. Smart Class Project/Solution, 12. Street Lights, 13. Tabs and 14. Total Stations .

Committee would be formed. It was also stated that in order to objectively identify the root cause of the issues leading to Audit findings, an independent enquiry committee had been constituted in February 2024. Further, Government stated that KEONICS intended to design, develop, and deploy a "Karnataka Digital Marketplace" with web and mobile applications, which would cover the end-to-end needs of all stakeholders (from indent to procurement to contract and project closure. Specific replies to Audit findings have been suitably incorporated in the respective paragraphs.

6.1.7 Audit Findings

Mis-use of exemption granted under KTPP Act by KEONICS and PEs

6.1.7.1 Section 5 of the KTPP Act, 1999 stipulates that no PE shall procure goods or services except by inviting Tenders for supply. Section 4(g) of the KTPP Act empowers the Government to exempt specific procurement from such tendering processes. The GoK had been issuing Notification under Section 4(g) of the KTPP Act, every year, providing exemption for procurements of IT equipment, services and IT related human resources done through KEONICS. Such procurement was subject to the following terms and conditions:

(i) The procurement will be made from KEONICS subject to the condition that procurement value in each case shall not exceed ₹ 1.00 crore.

(ii) In case, the services provided were not from own or internal resources of KEONICS but were obtained from external sources, then KEONICS should follow the following procedure:

a. KEONICS shall follow Tendering process in accordance with the provisions of KTPP Act and Rules;

b. Technical qualifications of the bidders to be evaluated, rates quoted by eligible bidders to be verified and rates to be negotiated as per the Rules by KEONICS. Based on this process, successful bidders for goods and services were to be empanelled and service-wise rate contracts were to be entered into. Accordingly, the procurement requirements of the PEs to be met subject to the maximum procurement value prescribed.

Audit observed that the entire procurement of equipment made by KEONICS, *i.e.* for ₹ 1,544.50 crore during the five years period from 2018-19 to 2022-23 was entrusted by the PEs under 4(g) exemption granted by GoK.

6.1.7.2 KEONICS selected BAs by calling for Expression of Interest (EOI) through e-procurement portal of the GoK. However, no rate contract agreement was entered into with any of the BAs selected for any item of equipment/service by KEONICS during 2018-23. A review of records revealed that in all the procurement transactions, KEONICS sought direct

entrustment of procurement orders from the PEs on the basis of exemption granted by GoK under Section 4(g) of the KTPP Act. Important observations made on the issue of POs by PEs and the procurement and supply of equipment by KEONICS are brought out in the following paragraphs.

Splitting up of Purchase Orders by PE

6.1.7.3 Audit scrutiny of the selected sample of 347 POs amounting to ₹ 240.25 crore (of the six selected PEs) revealed that 18 orders of four PEs valuing ₹ 154.44 crore (64.28 *per cent* of sample selected for detailed scrutiny) were split into 195 purchase orders of less than ₹ 1 crore to avail 4(g) exemption and to entrust supply orders directly to KEONICS. The details are given in *Appendix - 19*.

Non-IT products/equipment procured by misusing 4(g) exemption

6.1.7.4 Audit noticed that amongst the selected sample of 20 equipment from six departments, KEONICS had procured non-IT equipment such as RO Purifiers, High Mast Lights, Chapati Maker, *etc*. for ₹ 255.17 crore (in 405 out of 3,117 POs) using 4(g) exemption. This was in violation of KTPP Act. Item wise share of non-IT products in the total procurement value of ₹ 255.17 crore is shown in the Chart-6.1.3 alongside and details are given in *Appendix - 20*.

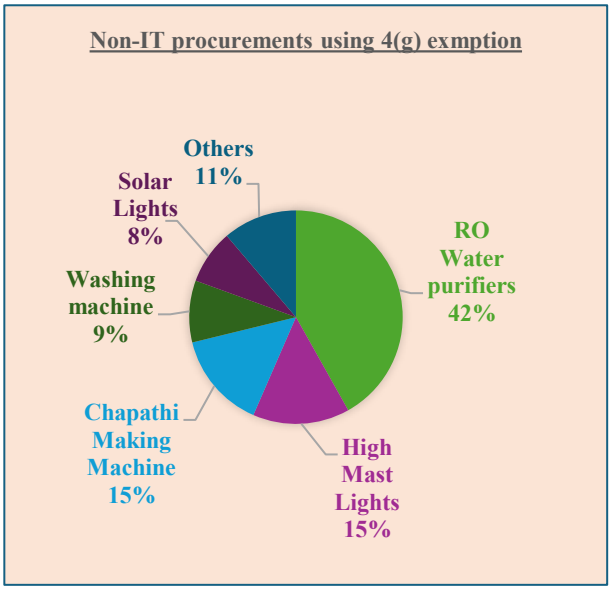


Chart No. 6.1.3: Non-IT procurement using 4(g) exemption

Government replied (May 2024) that action has been taken by stopping the procurement of non-IT goods and services by KEONICS. However, specific reply with regard to splitting up of purchase order by PEs was not furnished.

To ascertain whether KEONICS ensured quality products, lesser price, timely delivery, prompt post sales services, etc. to PEs, records related to empanelment of BAs, POs of the selected equipment of selected PEs were examined and the observations are discussed in the following paragraphs.

Absence of transparent and documented policy with regard to enrolment of BAs

6.1.7.5 Audit (March 2023) sought the criteria for selection of BAs and/or any approved policy or procedure approved by the Management/Government from KEONICS. KEONICS, in their reply

(April 2024) stated that there were no approved norms/ guidelines/ manual/ procedures for empanelment/ renewal of term of empanelment of Business Associates. In this scenario, Audit evaluated the Notice Inviting Expression of Interest (EoI) by KEONICS and subsequent evaluation of EoIs received. Audit observed that the methodology suffered from the following deficiencies:

a) As per the EoI (Para 2.0 Eligibility Criteria) issued for empanelment of BAs, one pre-qualification criteria for selection was adequacy of financial capability[90]. For this purpose, the applicants were required to submit turnover details and related supporting documents. However, start-ups were exempted from submitting these details. All start-ups were considered to be 'Category A' which would entitle them to execute orders with estimated value up to ₹ 30 lakhs per year for 2018-19, 2019-20, 2020-21 and 2021-22 and up to ₹ one crore during 2022-23.

On review of records related to 22 selected BAs, Audit observed that turnover details along with supporting documents viz. Balance Sheet and Profit & Loss Account relating to five BAs[91] were not on record. Instead of classifying these applicants under Category A, they were classified as A / B Category or upgraded on renewal to B or C Category and orders in excess of the entitled amount were placed on such start-ups. Audit noticed that five start-up BAs were entrusted business of ₹ 70.73 crore, which was ₹61.63 crore over and above their entitlement (details given in *Appendix-21)*.

b) One of the pre-qualification Criteria prescribed for EOI was that "*the bidder must be Original Equipment Manufacturers (OEM) or authorized distributor of OEM for the offered product*". However, Audit observed that the list of BAs did not include any OEMs. Verification of orders placed by the KEONICS in the selected cases showed that only four out of 22 BAs were authorized dealers of OEMs. In any case, supplies made by these BAs were not for the equipment, for which they were the authorised[92] dealers. Audit also observed that KEONICS offered and executed orders for supplies of equipment that were not in the Line of Business (LOB)[93] of BAs who supplied them (Details are given in the *Appendix 22)*. KEONICS also accepted (August 2023) that none of the empanelled BAs were OEMs. Thus, PEs were deprived of competitive rates and post-sale services, which could have been offered, if the equipment were sourced directly from OEMs/ authorised dealers.

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[90] BAs were allowed to execute purchase order of value limited to their previous Annual turnover. A category BA was allowed to execute order value up to ₹ 30 lakh. Similarly, B category BA was allowed to execute orders up to 5 crore and C category BAs more than ₹ 5 crore.

[91] 1) Alpstech Innovations Pvt. Ltd, 2) ANP Abhyas Pvt. Ltd, 3) Hema Applied Sciences & Technology, 4) Mythinit Technology Pvt. Ltd and 5) Newgene Security Solutions LLP.

[92] BA -Alpstech Innovations Pvt. Ltd who is the Authorised dealer for LED Lightning products and other electrical products of Spectrum Tech vision Pvt Ltd supplied Computer & accessories and CCTV Systems to KEONICS.

[93] Line of business (LOB) is a general term that describes the related product or services a business or manufacturer offers.

c) Clause 5 of the Terms and Conditions (sub-clause 4, 5 and 6) of the notice inviting EoI for 'Empanelment of Business Associates' issued by KEONICS provides that attempts would be made to allocate work to as many panellists as possible, by rotation. It also provides for pre-qualified BAs to directly approach the User Department, after seeking permission from KEONICS, for procuring orders. Further, if any order/ work/ job is procured by KEONICS on the strength of efforts of specific BA, such job will be allocated to the same BA, subject to verification of their credentials. Inclusion of these clauses provides undue advantage to BAs who secure orders, by limiting competition and thereby, vitiates the integrity of the procurement process.

Government replied (May 2024) that action has been taken to cancel the existing empanelled BAs and in the Exit Conference, Managing Director (MD), KEONICS stated that Standard Operating Procedures (SOPs) were being established to streamline the procurement processes. The SOPs would delineate the specifications on Information Technology (IT) items, methodology of procurement, third party verification (TPV) process, Training, Human Resource Services, assets and property management, etc. MD, KEONICS also stated that procurement of IT goods would be through the OEMs or their authorised channel partners in future. Further, MD also stated that fresh empanelment of BAs for procuring IT equipment and services would done, after approval of the SOPs.

Undue benefit to BAs through inflated price estimates by KEONICS

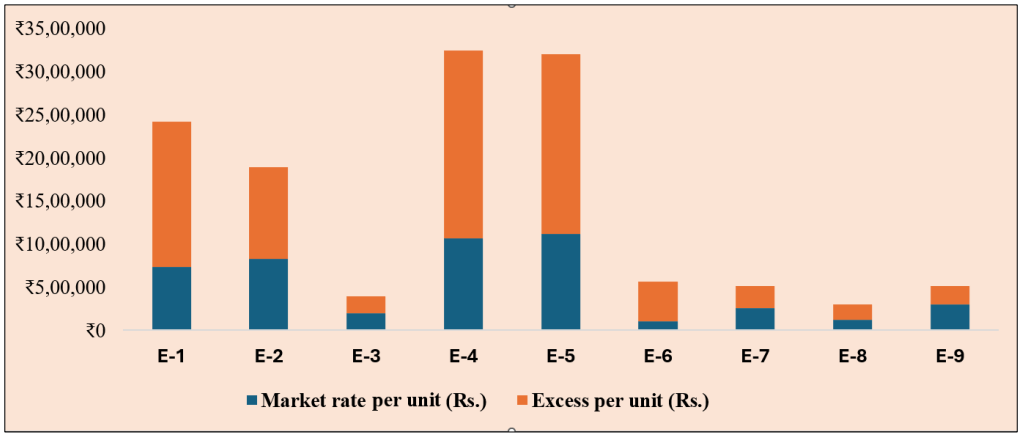
6.1.7.6 Paragraph 15 (1) of KFC stipulates that "Every Government servant should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money". Further, Paragraph 16 of KFC requires that every Government servant not merely to observe complete integrity in financial matters, but also to be constantly watchful to see that the best possible value is obtained for all public funds spent by him or under his control and to guard scrupulously against every kind of wasteful expenditure from public funds. Also, Provision 18 (2) of The Legal Metrology (Package Commodities) Rules, 2011 states that no retail dealer or other person including manufacturer, packer, importer and wholesale dealer shall make any sale of any commodity in packed form at a price exceeding the retail sale price thereof.

As shown in Chart No. 6.1.3, on requisitions received from the PEs, KEONICS would communicate the estimated rates for approval to PEs. After the estimated rates are approved by PEs, NITs would be issued to the empanelled BAs. However, KEONICS did not conduct any market survey to identify the prevailing market rates of items and was unable to explain the basis of rate estimation to Audit.

Audit observed that KEONICS adopted rates higher than the prevailing market rates in respect of nine equipment supplied for a total value of

₹ 75.81 crore to three PEs[94]. Audit calculated the actual market value of the equipment supplied at ₹ 27.84 crore which had resulted in an extra financial burden of ₹ 47.97 crore to the public exchequer. The excess price paid was 172 *per cent* more than the market price. The prevailing market prices were ascertained considering the Maximum Retail Price (MRP) printed on the carton/package/box of the equipment delivered to PEs, cross-check of prices in marketplaces online, rates quoted by the KEONICS in other PO in the same year for the same equipment, etc.

The extent of inflated estimation for the nine equipment is shown in the following Chart:



E-1: Computer Lab Setup (Type-I), **E-2:** Computer Lab Setup (Type-II), **E-3:** Digital Audio System, **E-4:** Computer and Accessories (Type I), **E-5:** Computer and Accessories (Type II), **E-6:** Learning TV, **E-7:** Smart Class Solution (Type I), **E-8:** Smart Class Solution (Type II), **E-9:** Smart Board - Educational Content.

Chart No. 6.1.4: Inflated estimation over prevailing market rates

The PO wise and item wise details of excess price paid to the BAs are given in *Appendix-23*. A few illustrative cases are shown in the following Case Studies 1 and 2 below:

[94] Minority Welfare Department, Tribal Welfare Department and BBMP.

Case Study: 1

The TWD ordered (July/August 2021) for supply of 40 units of Computer Lab Setup. Each unit was to consist of 13 items. Of these:

1. Desktop system (Configuration: 18.5" Monitor, 4GB RAM, 1TB Hard Drive, Pentium Processor, Windows 10 Home Edition, Wi-Fi enabled) was estimated to cost ₹ 7.85 lakh per unit as against the MRP printed on the box of ₹ 2.90 lakh.
2. 'Six CCTVs and Monitor' included in this PO were estimated at ₹ 6.72 lakhs. Audit noticed that KEONICS had supplied the same component item at ₹ 53,434/- in August 2021 to TWD in another order. However, while estimating the rates for a PO of TWD in July 2021, '6 CCTVs and a Monitor' was taken as one unit and the price was initially estimated at ₹ 1.12 lakh per unit. However, while communicating the estimated price to TWD and calling for tender, the unit rate was multiplied by 6 and the estimated price was shown as ₹ 6.72 lakh. This inflated price was adopted for subsequent POs.
3. In respect of Projector with Screen and Wi-Fi Router Multiple Antenna, MRP as printed on the box of the respective items delivered were compared with the rates finalised by KEONICS.
4. In respect of other component items, the market values were ascertained from online marketplaces.

This exercise revealed that for all the 13 components, estimated prices were more than the actual market value by ₹ 17.78 lakh per unit. Resultantly, for 40 units procured by TWD, the excess amount paid to BAs was ₹ 7.11 crore.

Case Study: 2

Kuvempu University (KU) placed supply order for 25 units of "All in one Smart Class Room" on KEONICS in March 2022. In this case, KEONICS identified 34 components per unit of 'Smart Class Room' and submitted an estimate of ₹ 19,99,923 per unit. The estimate was approved by KU and five POs (PO no. 149 to 153) of ₹ 99,99,615/- each were issued. All the five POs were issued to one BA (M/s. Hunnarvi Technologies Pvt Ltd) who was L1 and quoted five *per cent* less (₹ 18,99,927) than the KEONICS estimated price. An agreement was executed (April 2022) between KEONICS and the BA.

Later the technical advisory committee of KU removed six (Ceil mounting kit, service charge for one year, internet connectivity, analogy sound mixers, multipurpose sound mixer, 3D stickering) out of 34 components which were ordered in March 22 and requested KEONICS (21 April 2022) to furnish revised estimate. As per the original estimates, the six components excluded by KU were estimated to cost ₹ 1.71 lakh per unit. Therefore, the revised estimate was expected to be less to that extent.

However, the revised estimate submitted by KEONICS was for ₹ 19,98,819 per unit, which was just less by ₹ 1,108 per unit. KU also accepted (27 April 2022) the revised estimate.

From the above it is clear that both the estimates prepared by KEONICS were not based on assessment of actual market price of equipment but with the intention of matching the expenditure to funds allotted for that procurement.

In July 2022, the vendor claimed five bills for supply and installation of 25 units as per the original estimates for 34 components, as against 28 components supplied as per the revised POs. KEONICS also paid four bills as claimed by the vendor and one bill for ₹ 0.95 crore was pending as of December 2023. This establishes that KEONICS had not carefully verified the bills submitted by the vendors. The incorrect claim made by the vendor and paid by KEONICS on behalf of KU for the six components that were not supplied/installed amounted to ₹ 42.69 lakh.

Audit also noticed that the tenders called for against these POs among the BAs fetched L1 quotes that were very close to the estimated rates. On further analysis, Audit observed that in all the reviewed Purchase Order files (347 POs), the prices quoted by L1 bidders were just three/five *per cent* less than the rates estimated by KEONICS. KEONICS placed POs on successful bidders and raised invoice on the PEs concerned by adding an exact service charge of three/five per cent. Thus, in all these cases, the equipment were supplied to PEs at the inflated estimated rates of KEONICS. An illustrative case in this regard is given as Case Study 3 below:

Case Study 3

In July 2020, Director of Minorities Directorate (DMD) sought to install Digital Classroom facilities in Morarji Desai Residential Schools for 9th and 10th standards. Accordingly, 192 Digital Classrooms were to be installed in the State. KEONICS considered six items[1] for Digital Classroom and estimated cost per Digital Classroom at ₹ 4.25 lakh and communicated (July 2020) the same to the DMD. The rate was approved by DMD in September 2020 following which KEONICS invited 14 tenders on 13 October 2020. Only two (M/s SKR Infrastructures and M/s Newgene Security Solutions LLP) BAs participated in the tender, and both were found to be L1 for seven tenders each quoting ₹ 4.85 lakh per unit. Also, both the BAs quoted the same price in other seven tenders where they were declared as L2. Accordingly, KEONICS, finalised 14 POs for ₹ 4.85 lakh per unit.

Thus, inflated price estimates followed by submission of bids by only few BAs is suggestive of cartelization.

Audit verified the supply of equipment on the basis of specifications/ quantities mentioned in the POs along with review of delivery challans, invoices raised by BAs, photographic evidence of supply, GPS location where the equipment were installed, etc. Further, Audit also conducted Joint Physical Verification (JPV) along with the concerned authorities of the institutions, to check the delivery and installation of supplied equipment. Audit observations resulting from such verification and examination of records are given in the following paragraphs.

Payments made for equipment/components not supplied by BA

6.1.8 Audit observed during the JPV that in September 2023, the BAs had claimed ₹ 9.36 crore without actual delivery of the equipment/ relevant components in respect of the procurements by MWD and TWD. KEONICS also paid the amounts claimed by the BAs, without adequate scrutiny and verification of the documents, which resulted in misappropriation of Government money, as detailed in the Table 6.1.1.

Table No.6.1.1: Payments to BAs on fraudulent claims

Sl. No.	Description of the item	Quantity in numbers	Price as per estimates and invoices (₹ in lakh)	Observation made	Excess/ fraudulent payment to the BA (₹ in crore)
1.	Smart Class Solution (Interactive Display board 65 inch, Android Box, 1 KVA UPS, Lenovo 7 inch learning Tab and a Mouse)	192	5.10	Two BAs claimed the bill by submitting same delivery challans in two different PO files and KEONICS honoured the bills for both the POs. Audit noticed that 37 digital classrooms[95] were not supplied and installed. Thus, BAs made fraudulent claim of ₹ 1.79 crore based on photocopies of the delivery challans. In December 2023, after being pointed out by Audit, MWD, confirmed that only 155 units were delivered as against 192 units that were to be supplied.	1.79
2.	Android Box (Out of the items mentioned in Sl. No. 1 above)	192	1.18	Principals/ Head Master/ Mistress of the Morarji Desai Schools/hostels confirmed during JPV that Android Boxes were not supplied along with the Smart Class. Thus, the BAs made fraudulent claim of ₹ 1.83 crore (worked out for 155 units excluding 37 units mentioned at Sl. No. 1 above)	1.83
	Total				3.62

Source: Data compiled by Audit

Similarly, in four procurements done by TWD[96], certain components were not supplied by the BA, as detailed in the Table 6.1.2. However, KENOICS paid ₹ 5.74 crore to the BAs in spite of such non-supply as detailed below.

Table No.6.1.2: Details of components not supplied by BAs but paid for by KEONICS

Sl. No.	Details of equipment procured and No. of units as per PO	Component items not supplied	Price charged by KEONICS (In ₹)	Short supply of units	Excess payment (₹ in crore)
1.	Computer Lab Set Up Type I 40 units	Antivirus (AVAST / Quick Heal McAfee / Norton / Good One)	76,700		
		Software's (MS Office 13)	2,74,940		
		Internet Connection - 1 Year	12,331		
		Total (1)	3,63,971	40	1.46
2.	Computer Lab Set Up Type II 56 units	Antivirus (AVAST / Quick Heal McAfee / Norton / Good One)	72,865		
		Software's (MS Office 13)	2,24,200		
		Internet Connection - 1 Year	12,331		
		Total (2)	3,09,396	56	1.73

[95] Vijayanagar (Kudlugi) -2, Dharwad-2, Gadag-4, Haveri-2, Kalaburgi-8, Koppala-12, Raichur-4, Mysuru-1 and Ramanagara-2.

[96] Mentioned in E-1, E-2, E-4 and E-5 of the ***Chart 6.1.3*** above.

Sl. No.	Details of equipment procured and No. of units as per PO	Component items not supplied	Price charged by KEONICS (In ₹)	Short supply of units	Excess payment (₹ in crore)
3.	Computer and Accessories - Type I 29 units	Antivirus (AVAST / Quick Heal McAfee / Norton / Good One)	76,700		
		Textbook Conversion to PDF to Projection	2,89,100		
		Software (MS Office 13, English Grammer and basic Educational Software)	2,74,940		
		Internet Connection - 1 Year	12,331		
		Total (3)	6,53,071	29	1.89
4.	Computer and Accessories - Type II 10 units	Antivirus (AVAST/ Quick Heal McAfee/ Norton/ Good One)	76,700		
		Textbook Conversion to PDF to Projection	2,89,100		
		Software (MS Office 13, English Grammer and basic Educational Software)	2,74,940		
		Internet Connection - 1 Year	12,331		
		Total (4)	₹ 6,53,071	10	0.65
	Grand Total			135	5.74

Source: Data compiled by Audit

These instances show that internal control systems such as (i) fool-proof methodology for verification of bills submitted by BAs with respect to the POs issued (ii) efficient stock verification mechanism to ensure complete delivery and installation of equipment, etc. were absent in KEONICS. Though TPV was envisaged in the procurement process, as shown in the Process Flowchart No. 1, Audit found deficiencies in the appointment of consultants, cross-verification of TPV report with actual delivery challans, invoices and photographic evidence submitted by the BAs, etc. as discussed in the subsequent paragraphs.

Deficiencies in Third Party Verification system adopted by KEONICS

6.1.9 Third Party Verification (TPV) is intended to verify genuineness of claims and ensures that payment is made only after delivery of the specifically ordered equipment. The GO issued under KTPP Act with regard to TPV requires that Consultants (either Individual or Firm) known for integrity and professionalism should be appointed by following the procedures for procurement of Consultancy services. However, it was noticed that the TPV methodology adopted by KEONICS suffered from flaws as enumerated below:

(1) ***Appointment of TPV Consultant by the BAs:*** **Audit noticed that KEONICS entrusted appointment of TPV consultant to BAs who were issued the POs. Such appointment has inherent conflict of interest as the inspection reports issued by TPV Consultants, who are appointed by the BAs, could be biased in favour of the BAs.**

(2) ***Absence of directions/guidelines from KEONICS to TPV Consultant:*** **KEONICS had not issued any guidelines or checklists to TPV Consultants to verify the specifications and configuration of each component/ equipment supplied against the PO and PE's**

requirements. For example, it is essential to verify the specification of components such as hard disk, RAM, processor capacity, versions of the software installed, etc. in case of IT equipment. In the absence of guidelines, there was no mechanism to verify if the IT equipment delivered were in accordance with the specifications as mentioned in the POs.

(3) ***Payment made without conducting third party Inspection:*** **In 155 out of 347 test checked POs, payments of ₹ 85.98 crore were made without conducting the TPV.**

Audit observed that these resulted in payments to BAs that were in excess of quantities supplied by them and based on fraudulent claims without actual delivery of equipment. Government replied (May 2024) that as a measure to ensure verification of quantity supplied and the technical specifications, KEONICS availed the services of Dept of Technical Education (DTE), Govt of Karnataka and the reports from the field verifications are being submitted by the DTE. Further, as per the above-mentioned KTPP requirement, KEONICS proposed to publish a Request for Proposal (RFP) to appoint Third Party Inspection (TPI) Agencies.

Payment to the BA on fake delivery challans and fake TPV report

6.1.10 The MWD issued two POs in March 2020 for supply of 70 units (PO no.179 for 34 units and PO No.180 for 36 units) of Chillers (Refrigerators) to the Morarji Residential School/ Minority Hostels. In response, KEONICS quoted ₹1,94,350 (₹1,48,453 + GST 18%) for Digital Micro based temperature controlled chiller (650 L). An amount of ₹ 1.39 crore[97] was received by KEONICS in advance. As per the conditions of the work order, KEONICS was to provide the details of model, make, brand and the rate before supplying the Chillers and TPV would be conducted by supplier appointed TPVs and a report would be prepared. The delivery challans certified by the Principal of each hostel along with the photographs of supplied equipment would be submitted to the KEONICS for payment.

In this specific case, the BA claimed the payment stating that all the chiller units had been delivered and installed at the locations as desired by the PE. In support of the claim, the BA submitted TPV reports. KEONICS sought approval to release payment from MWD in October 2020 and the MWD replied (November 2020) that 52 out of 70 chillers were not supplied by the BA. In spite of confirmation of non-supply, KEONICS paid ₹ 62.77 lakh for 34 chillers against PO No.179 in November/December 2020. This irregular payment was pointed out by Audit in January 2022.

Audit also noticed that an individual was appointed for TPV consultant by the BA. The TPV reports submitted mentioned dates of inspection as 31 August 2020 and 01 September 2020 at Bengaluru and Mysore divisions and at Kalaburagi and Belgaum divisions, simultaneously. The TPV reports in these cases had two different types of signatures of the same TPV

[97] ₹ 69.21 lakh on 23.03.2020 and ₹ 69.62 lakh on 22.10.2020.

Consultant. In reply to Audit, the TPV Consultant identified one signature as genuine and the other as fake, as shown in the following picture.



Picture No. 6.1.1: Genuine and Fake signature of the TPV Inspector

Verification of records at KEONICS revealed that 36 chillers that were ordered in March 2020 were supplied in February 2023, only after the short supply was pointed out by Audit. The remaining 16 chillers were also delivered as of March 2023.

Similar instances were noticed in 32 procurements of Computer Lab Set-up, Computers and accessories, Digital Audio System, etc. made for TWD between August 2021 and January 2022. The TPV reports showed same date of inspection at two to 18 different locations in the State. The total amount of procurement certified in these TPVs was ₹ 28.96 crore. The details are given in *Appendix 24*.

Payment made on the forged TPV reports

6.1.11 In view of the fake TPV reports found in the case of Chillers procured for MWD, Audit reviewed the TPV Reports of four other equipment procured from three BAs for ₹ 11.81 crore for MWD and TWD. The details are given in *Appendix-24A*. In the following cases where TPVs were shown to have been conducted by M/s RITES, Audit noticed that:

(a) In respect of POs (No. 189 and 192) for Computer lab setup (10 units), the TPV of nine units was stated to be conducted between 15 February 2023 to 10 March 2023. Audit observed that GPS photos certified in the third-party inspection report were captured between 6 February 2023 and 12 February 2023, *i.e.*, before the actual dates of TPV.

(b) In respect of Bandravi-Chitradurga, the photos of 'Computer Lab Setup' at Bhimanahalli (Kalburgi) were submitted and certified. The report revealed that the same photos were submitted by the BA along with the delivery challans.

(c) In respect of Haliyal, the TPV was purportedly done by M/s RITES on 10 February 2023. However, in a third-party inspection recently carried out (20 October 2023) by KEONICS through Technical Education department team to check the delivery of Computer and Accessories, it was observed that the materials were not supplied to Haliyal Boys hostel.

On a clarification sought by Audit, M/s RITES confirmed that the TPV reports were not issued by their organisation.

TPV conducted before the actual delivery of goods

6.1.12 In respect of 17 POs of MWD and TWD, where the bills were accompanied by TPV reports and paid by KEONICS, Audit noticed that the TPV dates were prior to the actual dates of delivery of the equipment. The payments made in these cases amounted to ₹ 13.06 crore. The details are given in *Appendix – 25.* These instances point to collusion between BAs and TPV consultants and submission of fake TPV reports.

Government replied (May 2024) that KEONICS had proposed to publish a Request for Proposal (RFP) to appoint Third Party Inspection (TPI) Agencies.

Other irregularities noticed

Delivery of the materials before completion of tendering process

6.1.13 KTPP Act stipulates that no PE shall procure goods or services except by inviting Tenders for supply. Accordingly, the procurement process involves Notice Inviting Tender (NIT) issued by KEONICS, selection of qualified L1 BA, issuing a PO/entering into agreement with the selected BA and ensuring the delivery of the equipment within eight weeks of issuance PO.

Of the 347 POs test checked, in respect of two POs, Audit observed that the goods were delivered before NIT was issued by KEONICS and in two other cases, equipment was delivered even before issue of POs/ execution of agreement as detailed in the *Appendix - 26*. The value of the equipment delivered in these cases was ₹ 2.03 crore. This indicated that the BAs had been given the go-ahead to supply even before issue of NIT/issue of POs, thereby, rendering the entire tendering process in KEONICS a sham.

Advances paid to the contractors in violation of terms and conditions of NIT

6.1.14 In 18 POs, KEONICS paid advances of ₹ 48.65 crore to the BAs between March 2022 and August 2023 though there was no provision in NIT for such payments. The advance amount paid in these cases ranged from 20 to 85 *per cent* of the PO value. Case wise details are given in *Appendix-27.* Also, KEONICS did not obtain bank guarantees or any other form of security to safeguard Government money. In these cases, the BAs were required to supply the equipment within 180 days from the date of issue of PO. Of these, in six cases, payment was also made for equipment valued at ₹ 17.32 crore, which was yet to be supplied by BAs as of January 2024.

With respect to observations in paragraphs 6.1.8 and 6.1.10 to 6.1.14, Government replied (May 2024) that KEONICS had requested the constitution of an Independent Enquiry Committee to objectively identify

the root cause of the issues leading to Audit findings and to determine a suitable course of action. Further, Government stated that KEONICS had initiated disciplinary action against the erring officials by issuing them with show cause notices.

Conclusion

Procurement of equipment through KEONICS by Government Departments/institutions did not result in any tangible benefits such as cost effectiveness, supply of quality products, prompt post-delivery services, etc. On the other hand, the entire procurement process adopted by KEONICS was fraught with overestimation of prices, short/non-supply of equipment or components thereof, fraudulent claims by submitting false invoices/delivery challans and fake/ forged third-party verification reports. These irregularities resulted in misappropriation of Government money and losses to the procuring departments/institutions. PEs also split up procurements to evade tendering processes stipulated under KTPP Act, 1999 and entrusted supply orders to KEONICS with higher procurement rates, which was irregular. After these issues were brought to the notice of the Government, the exemption notification issued under Section 4(g) of the KTPP Act was withdrawn by the Government with effect from 22 November 2023.

Recommendations:

12. **The Government needs to direct KEONICS to procure IT equipment either from OEMs or their authorised dealers/ suppliers who are capable of providing prompt post-sales services. Also, KEONICS may ensure that only IT equipment/products related orders are accepted, as per its mandate.**
13. **The Government may direct KEONICS to appoint TPV inspectors on its own, to ensure actual delivery of equipment of the specification mentioned in the POs issued.**
14. **Government may fix responsibility on and take action against:**
    a. **Officers/officials of PEs, KEONICS and vendors claiming fraudulent payment for equipment/component items that were not supplied by the vendors. Also, the excess amount paid to vendors be recovered.**
    b. **Officers/officials of PEs for splitting up of the procurement sanctioned by Government into supply orders of less than ₹ 1 crore each for facilitating direct entrustment of supply orders to KEONICS.**
    c. **Officers/officials of KEONICS for preparing inflated estimates and for accepting direct entrustment of supply orders, without entering into item rate contract agreements with BAs.**

Krishna Bhagya Jala Nigam Limited

6.2 Commencement of works without possession of land

Commencement of works without possession of required land resulted in stoppage of works, rendering the expenditure of ₹ 30.00 crore blocked.

Paragraph 135(3) of the Karnataka Public Works Departmental Code (KPWD Code), stipulates that no work shall be taken up or tenders invited for a work without ensuring availability of land. In rare cases, when tenders for works are accepted but the lands required for the purpose are still to be acquired, then action should be taken on war footing to initiate land acquisition process. Paragraph 62 of KPWD Code prescribes that the land was to be acquired under the provisions of the relevant Land Acquisition Act[98] or Karnataka Highways Act 1964 through Assistant Commissioners of Sub-Divisions or appointment of Special Land Acquisition Officers/Highway Authority appointed for the process.

Audit scrutiny of the records of the Office of the Executive Engineer, Krishna Bhagya Jala Nigam Limited (KBJNL), Narayanpura Right Bank Canal Division-6, Chikkahonnakuni (Division), revealed that in contravention of the above codal provisions, the Division had invited tenders (November 2014 to December 2017) for four works (one canal extension work and three lateral works) costing ₹ 32.91 crore for providing irrigation benefits to the identified areas and awarded (April 2015 to March 2018) them without ensuring availability of land.

Audit observed that these four works were partially executed and subsequently stopped, since last three to eight years due to non-availability of required land as detailed in ***Appendix - 28***. The process of land acquisition for incomplete stretches is still under progress (February 2024). The Division had incurred an up-to-date expenditure of ₹ 30.00 crore (91 *per cent* of the tendered cost) on these four works between October 2015 and June 2019.

The failure on the part of the Division in ensuring availability of land prior to invitation of tenders/commencement of works resulted in stoppage of the works rendering the expenditure of ₹ 30.00 crore incurred thereon blocked up for periods ranging from four to eight years. The non-completion of works not only defeated the envisaged objective of providing irrigation benefit to the needy areas, but also carries the risk of cost escalation due to time over-run.

KBJNL in its reply (February 2024) stated that the land acquisition in respect of the above four works was pending due to protests from farmers demanding change of alignment and enhanced compensation. It was further stated that as per the contract conditions the Contractors were also responsible for obtaining the possession of land with the consent of farmers and no extra cost was payable

[98] From 1 January 2014 under Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act 2013.

to them on account of delay in completion of works due to land acquisition issues. Government endorsed (April 2024) the reply of KBJNL.

The reply is not acceptable as the execution of works without taking possession of land is in violation of the provisions of KPWD Code. The fact that the required land is yet to be acquired even after eight years of commencement of works indicated lackadaisical effort by KBJNL. The contention that as per the contract conditions, Contractor was also responsible for obtaining possession of land is also not acceptable, as the Government/ Department has to acquire the required land for public works through Assistant Commissioners of Sub-Divisions or appointment of Special Land Acquisition Officers/Highway Authorities under the provisions of relevant Land Acquisition Act. Thus, the responsibility of making land available for the project lies with the Government and not the Contractor. Inaction on the part of KBJNL to acquire required land, not only resulted in blocking of funds, but also the envisaged goal of providing irrigation facility to the needy beneficiaries remained unachieved.

Recommendation:

15. Urgent action may be taken to remove the bottlenecks in land acquisition and complete the works to provide the envisaged irrigation benefit to the needy areas. KBJNL also needs to review the contract condition wherein the Contractor is made responsible for required land acquisition, as it is contrary to the provisions of KPWD Code.

6.3 Undue financial benefit to the Contractor

Failure to invoke contract condition relating to change in lumpsum price of the contract in accordance with change in scope of work resulted in undue financial benefit of ₹ 29.77 crore to the Contractor.

The contract agreement is a legal pact between the Contractor and the Employer which defines the scope of work, contract price, terms and conditions including those related to quality and cost control during execution of work. The cost control condition in the contract defines the changes to be made in contract price due to change in scope of work to be carried out. Any deviation from the agreed conditions could confer unwarranted financial benefit on the Contractor.

The Chief Engineer, Krishna Bhagya Jala Nigam Limited (KBJNL), Canal Zone No.1, Bheemarayangudi accorded technical sanction (January 2018) for the work of "Survey, Investigation, Design, Supply, Erection, Testing and Commissioning of Lift Irrigation System (LIS) for augmentation of filling up of 35 Minor Irrigation/Zilla Panchayat tanks in Yadgir District by constructing two stage lifts for lifting water from Bhima river on Turn-Key basis". The Executive Engineer, KBJNL, Sonthi LIS Division, Khanapur, Yadgir District (Division) invited (December 2017) tenders for the above work at an estimated amount of ₹ 433.17 crore. After due tendering process, the work was awarded to M/s. Larsen and Toubro Limited, Bengaluru (Contractor) for the contract price of ₹ 351.90 crore. KBJNL entered into an agreement with the Contractor

on 15 March 2018 with the stipulated date of completion of 24 months *i.e.*, up to 14 March 2020. The work was completed and an amount of ₹ 333.50 crore[99] was paid (October 2022) to the Contractor.

Audit scrutiny (November 2023) of the records of the Division revealed that the contract conditions of the work included cost control provision (Clause 32.2) which stipulated that "changes in quantity of any item or addition or deletion of any item with respect to bill of quantities submitted by the Contractor do not affect the total lump sum price, provided there is no change in scope of work described in Tender Document or otherwise provided for in the Contract". As per the agreement, the scope of work, *inter alia,* included the item "Supplying, Laying, Testing and Commissioning of Gravity Distribution Pipeline Network of length of 123.59 KM[100]". As per the approved price breakup, the Contractor was to be paid an amount of ₹ 121.08 crore for the above component of work.

As per the bid conditions, the Contractor had to get the detailed design and drawings approved by the Competent Authority before proceeding with execution of the work. Accordingly, the Chief Engineer (CE), KBJNL, Canal Zone-1 Bheemarayanagudi approved (August 2018) the final design and drawing of the above work, wherein the length of the Gravity Mains was reduced from the agreed scope of 123.59 KM to 90.40 KM. The work was executed as per the above approved design and drawing resulting in saving of 33.19 KM under Gravity Main works.

As the scope of the work was reduced, the Division was required to exercise the contract provision (*Clause 32.2*) to adjust the contract price proportionate to the reduction in scope of work and the resultant savings should have been passed on to KBJNL. As per the reduced scope of work, the Contractor was eligible for a proportionate payment of ₹ 88.56 crore[101] for the component "Gravity Mains". However, the Division failed to invoke the cost control provision of the contract and made payment (October 2022) of ₹ 118.33 crore under the component "Gravity Mains" as per the original scope of 123.59 KM provided in the agreement instead of actual execution of 90.40 KM. This resulted in undue financial benefit of ₹ 29.77 crore to the Contractor.

KBJNL replied (April 2024) that the scope of the work was "Filling of 35 tanks" which had not been reduced during execution. The design and drawings indicated in the tender document were tentative and the working drawings and detailed specifications were developed and submitted during the execution phase by the Contractor in which the length of Gravity Mains was reduced from 123.59 KM to 90.40 KM. Thus, there was no change in scope and *Clause 32.2* of the tender document could not be operated to reduce the contract price. Government also endorsed (April 2024) the reply of KBJNL.

The reply cannot be accepted as the scope of work included in the tender document clearly indicated that the length of Gravity Mains to be laid was

[99] Excluding price adjustment bills.
[100] 96.85 KM under Stage 1 and 26.74 KM under Stage 2.
[101] 90.4 km (as per modified scope)/ 123.59 km (as per original scope) × ₹ 121.08 crore (quoted price) = ₹ 88.56 crore.

123.59 KM. However, the approval to final design and drawings accorded by CE reduced the scope of work by curtailing the length of Gravity Mains to 90.40 KM. This reduction of more than 26 *per cent* in scope of works warranted a proportionate reduction in payment to the Contractor as per *Clause 32.2*.

The failure of KBJNL to invoke the contract condition regarding cost control resulted in excess payment of ₹ 29.77 crore and undue financial benefit to the Contractor.

Recommendation:

16. KBJNL should take urgent action to recover the excess payment duly adhering to the agreed contractual terms and conditions.

6.4 Excess payment to Contractor

Adoption of incorrect price indices for regulating price adjustment payments resulted in excess payment of ₹ 5.78 crore.

To address the frequent fluctuations in rates of construction materials and labour, Government of Karnataka, issued (November 2004) order allowing price adjustment clause in all works whose estimated cost put to tender was ₹ 100 lakh or more and the period of completion was 12 months or more. The price adjustment was to be computed in accordance with the conditions and formulae agreed in conditions of contract and based on the appropriate wholesale price index issued from time to time by the Ministry of Commerce and Industry, Government of India.

Audit scrutiny (June 2023 and August 2023) of the records of two executing divisions[102] of Krishna Bhagya Jala Nigam Ltd. (KBJNL) revealed excess payment to the Contractors due to adoption of inappropriate price indices for regulation of price adjustment as detailed below:

i) Incorrect adoption of price index related to Plant and Machinery Spares component.

Executive Engineer, Narayanpur Right Bank Canal (NRBC) Division No.5, KBJNL awarded (July 2021) the work of "Extension, Renovation and Modernisation of distributaries from 1 to 15 laterals including structures of Narayanapura Right Bank Canal System" to a Contractor[103] at the tendered cost of ₹ 828.40 crore. The work was under progress and the Contractor had achieved financial progress of ₹ 628.40 crore as of March 2023. Additionally, the NRBC Division paid (January 2023) ₹ 5.72 crore to the Contractor through price adjustment bills including ₹ 1.58 crore on account of "Plant and Machinery Spares" component.

[102] Narayanpur Right Bank Canal Division No.5 and Indi Branch Canal Operation and Maintenance Division, Rampur.
[103] M/s. N. D. Waddar and Company, Lingasugur.

As per *Clause 44* of the General Conditions of Contract, the price adjustment for **"**Plants and Machinery Spares**"** component was to be regulated based on the all-India average wholesale price index for "Material Handling, Lifting and Hoisting Equipment". However, the NRBC Division regulated the price adjustment claim for the component **"**Plants and Machinery Spares**"** considering the average wholesale price index of "Manufacture of Machinery and Equipment" instead of "Material Handling, Lifting and Hoisting Equipment" specified in the contract agreement resulting in excess payment of ₹ 1.15 crore. **(*Appendix - 29*).**

ii) Incorrect adoption of price index related to steel component

Executive Engineer, Indi Branch Canal (IBC) Operation and Maintenance Division, Rampur entrusted (January 2021) the work of "Restoration and providing mechanical gates to the Umarani Barrage constructed across Bhima River for augmentation of water to Chadchan Lift irrigation scheme" to a Contractor[104] at the contract price of ₹ 133.33 crore after due tender process. The work was under progress and the Contractor was paid ₹ 133.46 crore apart from ₹ 24.91 crore towards price adjustment of March 2023.

Clause 44 of the General conditions of Contract stipulated that in respect of Steel component, the All-India average wholesale price index for reinforcement and structural steel was to be adopted for regulating price adjustment. However, the IBC Division, Rampur adopted the sub-group "Mild Steel-Flat Products" under "Manufacture of Basic Metals" instead of the sub-group "Mild Steel Flats & Sheets" under "Structural Steel Component" for price adjustment of steel flat products. This resulted in excess payment to the tune of ₹ 5.87 crore as detailed in ***Appendix - 30*.**

KBJNL in its reply (January 2024) stated that an amount of ₹ 1.25 crore was recovered (November 2023) towards incorrect adoption of price index related to "Plant and Machinery Spares" component from the Contractor and further submitted that action for recovery of ₹ 5.87 crore towards price adjustment of steel component was initiated. Government endorsed (January 2024) the reply of KBJNL.

Thus, the adoption of inappropriate indices for price adjustment in respect of "Plant and Machinery" and "Steel Flats" components in two works resulted in excess payment to the Contractors to the tune of ₹ 7.02 crore out of which recovery of an amount of ₹ 5.78 crore was still pending (May 2024).

Recommendation:

17. KBJNL should take action to recover the excess amount paid to the Contractors and give direction to all Divisions to scrupulously adhere to the contract agreement conditions while regulating price adjustment payments.

[104] Shri.G.Shankar, Vijayapura.

6.5 Fraudulent payment for works not executed

False certification and fraudulent payment of ₹ 33.95 lakh was made for drain work which was not executed.

Paragraph 110.1(a) of the Karnataka Public Works Departmental Code (KPWD Code) stipulates that the field engineer in charge of a work should conduct measurements for all works executed in accordance with sanctioned plans, estimates and prescribed specifications. Further, Paragraph 110.8 of the KPWD Code mandates that measurements initially recorded by the field engineer shall be check measured by the Assistant Executive Engineer (AEE). One of the objectives of check measurement is to detect errors in measurement and to prevent fraudulent entries. After check measurement, the AEE shall record in his handwriting under his signature with date that the recorded measurements are correct and that the works are carried out as per sanctioned plans and approved specifications. A false certification, either by the field engineer or the AEE, can be construed as a fraudulent attempt to facilitate payment from the Government by unfair means and invites penal action.

The work of road formation from Jogundabhavi to Kamalapur in Shorapur taluk, Yadgir District was taken up by Executive Engineer (EE), Krishna Bhagya Jala Nigama Ltd (KBJNL) Dam Division, Narayanapura (Division) at the estimated cost of ₹ 1.60 crore. The work was awarded (March 2019) to a Contractor[105] after due tender process for the contract amount of ₹ 1.48 crore with the stipulated completion period of four months. The work was completed on 04 July 2019 at the cost of ₹ 1.63 crore.

Audit scrutiny of records of the Division (July 2023) revealed that the work included inter alia the following items as per the approved Bill of Quantities (BoQ) in the Table below:

Table No. 6.5.1: Details of work items as per BoQ

Sl. No.	Serial Number of BoQ	Description of the item	Quantity	Rate quoted (₹)
1	3	Excavation for road drains	22,000 cum	137.80/ cum
2	4	Compaction of original ground with maximum of six passes of 8 to 10 tonnes power roller.	4,500 sqm	6.36/ sqm

Source: Approved BoQ

Audit scrutiny of the estimates/BoQ of the work revealed that the quantities to be executed in respect of the above two items were interchanged. The detailed measurement sheets accompanying the estimates indicated quantities as 4,500 cum for excavation (item No.3) and 22,000 sqm for compaction (item No.4). The sectional drawings of the road appended to the estimates also indicated a quantity of only 4,000 cum in respect of the item 3. However, the above quantities were interchanged in the estimates and the Chief Engineer, KBJNL, Operations and Maintenance Zone,

[105] Sri Paramanna Police Patil, Hunasagi, Yadgir.

Narayanpur technically approved (December 2018) the estimates for the work submitted by the Division overlooking the above discrepancy.

The Division made cumulative payment of ₹ 30.32 lakh against the item No.3 *i.e.* 'Excavation of road drains' for executed quantity of 22,000 cum vide third and final Running Account bill (August 2019). Audit found that the measurement for the above item of work was recorded by the field engineer and certified by AEE for 22,000 cum quantity in the measurement book.

In view of the discrepancy in figures, Audit team conducted (December 2023) Joint Physical Verification (JPV) of the work site with the Department officials. The JPV revealed that the item No.3 i.e. excavation work for drains had not been carried out on either side of the road as recorded in the measurement book. The fact that excavation work for drains had not been carried out was also certified (December 2023) by the AEE and EE of the Division. Audit observed that both sides of the road were filled with boulders and rocks and there was no excavation for the drain works as recorded in the measurement books, as seen from the following photographs of the JPV:



Picture No. 6.5.1: Photographs showing the status of road work

Thus, even though the item of work "Excavation for drains" was not executed, it was recorded in the measurement book that 22,000 cum of earth work excavation had been carried out. AEE also certified that 100 per cent check measurements were carried out and accordingly payment

was made. This resulted in payment of ₹ 33.95[106] lakh for an item of work which had not been executed. The manipulation of the recordings in the measurement book and false certification by the officials resulted in fraudulent payment of ₹ 33.95 lakh to the Contractor.

KBJNL in its reply (April 2024) accepted that the item of work "Excavation for drains" was not executed and that the provision in the estimates for the above item was utilised for removing the surface boulders and hard rock to make the road surface even and uniform. It was also stated that no fictious measurements have been recorded and it was only a procedural irregularity in operating the provision available for "Excavation for drains" for another essential item of work. It was also assured that a detailed enquiry would be conducted to ascertain and recover the excess payment, if any, and to fix responsibility on the Officers concerned. Government endorsed (April 2024) the reply of KBJNL.

The reply cannot be accepted as 22,000 cum of earthwork in respect of the item "Excavation for drains" had been falsely certified by departmental officer as executed in the measurement book and payment of ₹ 33.95 lakh was made on the above basis. The Division had neither proposed nor received approval from the competent authority for executing the extra item "Removing surface boulders and hard rock" and hence payment made on this account was fraudulent.

Recommendation:

18. KBJNL should recover the payment fraudulently made to the Contractor with penal interest and carry out a detailed enquiry to fix responsibility on officials who were responsible for fraudulent payment.

Karnataka Power Transmission Corporation Limited

6.6 Extra-expenditure

Failure of the Company to verify the suitability of the land allotted for construction of a 220kv substation, resulted in extra-expenditure of ₹ 5.35 crore on construction of retaining wall and other infrastructure to prevent the station from submergence in the backwaters of nearby tank.

Karnataka Power Transmission Corporation Limited (the Company) accorded (February 2018) the administrative sanction for the Detailed Project Report (DPR) for construction of 220/66kV substation at Begur, Gundlupet Taluk, Chamarajanagar district along with associated transmission lines (220 kV and 66 kV). The objective of construction of the substation was, *inter alia,* to improve reliability of power supply to the surrounding area and reduce the load on the existing 220/66kV substations at Kadakola and Chamarajanagar. During

[106] 30,31,600 + 3,63,972 (GST at 12 *per cent*) = 33,95,392.

August 2015, the District Commissioner of Chamarajanagar, based on the request (January 2014) of the Company, allotted the Gomala[107] land to the extent of 10 acres required for construction of substation at Begur Village (Survey No.137) for a consideration of ₹ 15 lakh.

The Company awarded (March 2019/June 2019[108]) the contract for the work through invitation of tender (September 2018) to M/s KGN Electricals, Tumkur at a cost of ₹ 112.22 crore. The work was scheduled to be completed by September 2020. The substation was commissioned in July 2020.



Picture No.6.6.1: Google map showing substation constructed in tank area.

During the course of execution of work (after completing 95 *per cent* of the work), the Company noticed that water started to enter the station area when water was being filled to the Kammarahalli tank (located on the left side of the road adjoining the allotted land for the substation) under the Gandhigrama Drinking Water Scheme. The location of substation was at +751 meters above the mean sea level, while the full reservoir level of the water tank was at +753 meters above the mean sea level. Thus, the substation could get submerged completely if the water tank is filled upto its full capacity. Therefore, the Company, in consultation (March/May 2020) with the District Commissioner, constructed a retaining wall

The State Government, had approved (in January 2014 and prior to allotment of land to substation) a proposal for implementation of the Gandhigrama Drinking Water Supply Scheme (GDWSS). The scheme envisaged filling up of 12 tanks including Kammarahalli tank by pumping up water from Kabini river to meet the drinking water needs of villages under Nanjangud and Gundlupet Taluks. The works under the said scheme were awarded by Cauvery Neeravari Nigam Limited (CNNL) during November 2015 and were in progress at the time of award of contract (September 2018/March 2019) for construction of substation.

[107] Government land reserved for pasture of the animals.

[108] Date of Letter of Intent (LoI): March 2019 & Date of Detailed Work Award (DWA): June 2019.

on three sides, along with necessary infrastructure like drain water storage sump, pumping arrangements, box drains, culvert, and a bridge with approach road, by incurring an additional expenditure of ₹ 5.35 crore to prevent entry of backwater from Kammarahalli tank into the sub-station.



Picture No.6.6.2: Retaining wall view from tank side.

In this connection, the Company initially stated (September 2023) that the allotted land was Gomala land as per records of Revenue Department and that only block level survey was carried out to finalise the Finished Ground Level (FGL) of the proposed substation. Further, it was stated that there was no practice of GPS survey using satellite images for station yard. It was also stated that there was no mention in the revenue records and no indication was given by CNNL/ Revenue Department about upcoming lift irrigation project, even after notification of the construction of station was published in the State Gazette (6 December 2018).

Central Electricity Authority (Technical Standards for Construction of Electrical Plants and Electric Lines) Regulations, 2010 stipulates the site selected for sub-station shall not be in a low-lying area to avoid flooding and that there shall not be any open drain/nallah or road crossing the site (Regulation 49(2)).

As per records obtained (August 2015) by the Company in connection with the allotment of land, there was a nallah crossing the site indicated in the village map. The tank was just across the road and could have been noticed easily. As the nallah was leading to the tank, there was the possibility of back water rising and flooding the site. As the full reservoir level of the tank was higher than the ground level of the site, it would be submerged even if the tank was filled with rainwater. Thus, it was necessary to investigate the issue further (through survey, enquiry, etc.) and then decide the suitability of the land for construction of sub-station. The Company failed to take cognizance of the obvious site conditions, pre-existing tank and the ongoing works of GDWSS before acquiring the site and constructing the substation. The Company noticed that the site was in tank area only when backwaters of the tank started entering the station.

Government in its reply (March 2024) stated that the chosen land was mentioned as Gomala land and the details of upcoming lift irrigation project

were neither available in the revenue records nor informed by Cauvery Neeravari Nigam Limited (CNNL)/Revenue department. Further, it was also stated that no objections were received from the concerned departments against the proposed work when published in the State Gazette and it was proposed to pump water to the constructed periphery drain. The reply is not acceptable, as the site contained a nallah leading to the tank, an indication that the site could be flooded. Further, the works under the GDWSS scheme of filling the Kammarahalli tank were awarded (November 2015) by CNNL and were in progress at the time of award of contract (September 2018/March 2019) by the Company for construction of substation. The Revenue Department failed to mark the Kammarahalli tank in the land records and other departments also failed to take note of the proposed substation and raise objections as was appropriate.

Thus, lack of due diligence by the Company to check and verify the suitability of the allotted land before acquiring it and starting construction of the substation considering the facts available on hand, led to an additional expenditure of ₹ 5.35 crore towards protection works to prevent the site from submergence. As the site is low lying and walled up on three sides, there may be chances of flooding in the sub-station during the rainy season. Further, the Company has to, time and again, pump out seepage water and rain water from the sub-station to keep it safe.

Recommendation:

19. Audit recommends the management to fix responsibility on the delinquent officials for their failure to adhere to the CEA regulations while selecting site for substation.

6.7 Avoidable payment of interest

Delay in decision making at various stages resulted in avoidable payment of interest of ₹ 3.97 crore

Land measuring 12 acres 37 guntas at Bidadi Industrial Area was handed over during March 1998 by Karnataka Industrial Area Development Board (KIADB) to Karnataka Power Transmission Corporation Limited (the Company). The total cost of the land was fixed at ₹ 1.93 crore at the rate of ₹ 15 lakh per acre as decided (December 1997) in the meeting held under the chairmanship of the Principal Secretary to the Government of Karnataka, Commerce and Industries Department. The Company established the 220kV sub-station in October 1998 and paid the total cost of the land to the Board in October 2004.

As the Company delayed making payment towards the cost of the land, KIADB demanded (January 2005) interest of ₹ 2.09 crore for the period from 1 March 1998 to 30 **November** 2004. The Company's request (October 2005) for waiver of interest was rejected (April 2008) by the KIADB. The entire interest amount of ₹ 2.09 crore was paid by the Company in February 2019. Meanwhile, KIADB raised (January 2019) a revised demand of ₹ 5.67 crore towards interest for the period from 1 March 1998 to 31 January 2019, as the Company delayed the payment of interest. However, considering the request of the Company, KIADB

waived off 50 *per cent* of the further interest component for the period from 1 December 2004 to 31 January 2019. Accordingly, the remaining interest of ₹ 1.88 crore[109] was paid by the Company in February 2020. As a result, the Company had ended up paying interest of ₹ 3.97 crore, which was more than double the cost of the land (₹ 1.93 crore).

In the light of above facts, the Audit observed the following:

- The Company requested KIADB in March 2001 for exemption from payment of land cost citing higher interest on loan obtained for establishment of substation and low utilization of the substation capacity, which was rejected by KIADB in June 2001. The Company's requests to negotiate with KIADB for reduction of price by 50 *per cent*, in March 2002 and subsequently in June 2004 were also rejected. In the process, more than six years had elapsed by the time the Company made the payment of land cost to KIADB (March 1998 to October 2004). In view of approval of 50 *per cent* payment by the corporate office of the company in March 2002 and constant rejection by KIADB to reduce the price of the land, the delay in payment of the cost of land to KIADB was unwarranted.

- The approval for payment of interest amount was accorded by the Director (Administration & Human Resource) in May 2008 and the budget was allocated in October 2008. However, the payment was made only in February 2019, *i.e.* more than ten years after the approval for payment. Audit observed that the Chief Engineer, Electricity, Transmission Zone, Bangalore had urged (September 2009 and April 2010) the Financial Advisor (Accounts & Resources) for arranging payment of interest to KIADB. Despite these requests no action was taken to arrange the payment. This warrants fixing of responsibility on the concerned for the lapses, as this inaction led to payment of further interest of ₹ 1.88 crore for the period from 1 December 2004 to 31 January 2019. While the financial implication of interest payment was deliberated (March 2020) by the Company's Board of Directors, the issue of delays in releasing the payment leading to levy of additional interest was not included in the Agenda for the Board meeting and was, therefore, not discussed. The additional interest for the period from 1 December 2004 to 31 January 2019 could have been avoided by the Company, had it acted promptly in payment of dues after the rejection of interest waiver request by KIADB in April 2008.

Thus, due to delay in decision-making and payment settlement, the Company took an unjustifiably long period of 22 years for settling (2019-20) a transaction that was initiated during 1997-98. This resulted in additional outgo of ₹ 3.97 crore for the Company, which was avoidable. Further, these inefficiencies would ultimately result in burdening the consumers, as such costs are factored into the tariff.

[109] ₹ 185.80 lakh (50 *per cent* of balance interest of ₹ 371.60 lakh) *plus* EMD - ₹ 0.65 lakh *plus* Slum Clearance charges - ₹ 1.32 lakh.

The Company stated (July 2023) that the delay in submission of proposal for payment was attributable to the earnest efforts made by the Company for getting exemption from payment of land cost. The reply is not acceptable as after the initial rejection by KIADB for waiver of payment, the Company could have paid 50 *per cent* of the land cost to avoid accumulation of interest. Further, the Company in its reply has claimed that even though the budget was released for payment of interest of ₹ 2.09 crore during October 2008, the payment was made during February 2019 as the Company was constantly pursuing with KIADB to reconsider the rejection of the proposal for waiver of interest amount. The claim of the Company is not acceptable as the claim is not substantiated by any documentary proof. Also, the approval for payment of interest of ₹ 2.09 crore (May 2008) was given only after rejection by KIADB for waiver during April 2008.

Government stated (January 2024) that the Company had installed E-office software wherein every file movement could be tracked and delays in movement are monitored. The Government has also stated that as the subject matter is more than 15 years old and the incumbent officers have already retired from service/died, no action can be initiated for the lapses, if any, at this length of time.

The reply is not acceptable as the persons responsible for the lapses in making the payment in time were not identified and presented to the board while presenting the financial implication in March 2020 or at a later stage.

Recommendation:
20. Audit recommends that role-based timelines may be fixed for such transactions to avoid similar lapses in the future.

6.8 Idle expenditure and loss

The lapses at various stages resulted in a 15-year delay in project completion, a decade of idling costly equipment and loss of ₹ 3.16 crore.

In December 2006, the Karnataka Power Transmission Corporation Limited (the Company) sanctioned the Detailed Project Report (DPR) for the establishment of a 110/33/11kV substation at Jeppu in Mangalore Taluk. Additionally, it involved constructing a 110kV LILO[110] line spanning 10 kilometers from the existing Kulashekara-Konaje Single Circuit line to the proposed substation at Jeppu. The project aimed to alleviate loads in existing 33kV substations, minimize energy losses on 11kV feeders and reduce power interruptions while regulating 11kV line tail-end voltage in the substation area. Following a tender process, the Company awarded the contract (January 2008) to M/s. Deepak Cables (India) Limited (contractor) at a total cost of ₹ 9.01 crore[111]. The stipulated completion time for substation and line works was seven and six months, respectively, from the date of the Letter of Intent (29 January

[110] LILO- Line in line out- an arrangement for tapping an existing transmission line to serve a new sub-station.
[111] Supply of material (₹ 663.46 lakh); Erection (₹ 20.06 lakh); Civil works (₹ 217.63 lakh).

2008). Non-compliance with the contract terms could result in performance guarantee forfeiture, penalty imposition, and contract termination, as per the General Conditions of Contract (*Clause 45.3*).

The contractor failed to meet the specified deadlines, leading to the termination of the contract in May 2016, following a final notice issued in March 2016. At the time of termination, the contractor had partially completed the work[112] for which the Company paid ₹ 5.97 crore to the contractor. The Company held ₹ 3.29 crore from the contractor's bill, comprising Retention Money (₹ 1.31 crore), Liquidated Damages (₹ 94.79 lakh), and encashment of Bank Guarantee (₹ 1.03 crore). Subsequently, the remaining work was re-tendered and awarded to another firm[113] in September 2019, which was completed (January 2023) at a cost of ₹ 4.18 crore[114].

In this regard, Audit observed the following:

i) Despite the contractor's lack of progress since July 2013 and a complete halt from May 2015, the decision to terminate the contract was delayed until May 2016. The Company, during the intervening period, engaged with the contractor but failed to terminate the contract promptly as per terms of the contract.

ii) The Company took over three years to re-award the contract (September 2019) after termination. Delay in estimate preparation and multiple tender invitations contributed to the prolonged timeline, rendering a significant expenditure of ₹ 7.02 crore[115] unproductive.

iii) Based on the request (May 2016) of the Company, the contractor appointed (July 2016) its representative for taking joint inventory and also returned the unutilized material relating to the line works. As per the terms of contract, the contractor was responsible for the safety of all the equipments/materials under custody. The contractor requested (February 2017) the Company to make necessary arrangements to safeguard the assets at the substation. However, the Company appointed the security agency only in November 2017, 18 months after termination and found that the materials[116] worth ₹ 3.16 crore were missing/damaged. Further, as per the termination of contract notice dated May 2016, the work was deemed to have been taken over by the Company. The Company neglected its obligation to take over the assets immediately after contract termination, leading to a loss of ₹ 3.16 crore. The delay in appointing a security agency allowed for the disappearance/damage of materials including two transformers costing ₹ 2 crore, which were found unsuitable for repair. Though the Company

[112] sub-station works completed except testing of equipment, approach road to station, *etc.*; 37 out of 40 towers erected and straining of 5.9 km out of 9.7 km completed.
[113] M/s Manipal Energy and Infratech, Udupi.
[114] Represents expenditure incurred as on January 2023, against the award price of ₹ 5.18 crore.
[115] This included ₹ 5.97 crore paid to the agency and ₹ 1.05 crore being interest during construction.
[116] 10 MVA Power Transformers, 11kV Switch Gears, Control Panels, Cables, *etc.*

lodged (November 2017) a police complaint against the loss/theft of material, there was no progress in the case (February 2024).

iv) The Board of Directors of the Company in its meeting held on 27 December 2022 decided to conduct a fresh enquiry against all the officers/employees who were responsible for the lapses and who failed to implement Standard Operating Procedures in monitoring the stores during the check period. The Departmental Enquiry was, however, withdrawn and the Officers were acquitted of the charges against them by KPTCL. Thus, the Company failed to fix responsibility for failure to safeguard its Assets.

Government replied (March 2024) that delay in works was due to many reasons such as objections from land owners in line corridors, court cases and also, delay by the agency. Further, as of November 2015, 70 *per cent* of the work was completed by the contractor and based on the request of the contractor to not short close the contract and long business association that the contractor maintained with the Company, termination of contract was delayed. The process of termination of contract was also delayed to avoid time and cost involved in re-tendering process. The reply is not acceptable as work was awarded during 2008, and the stipulated time period was six and seven months respectively. However, the Company allowed the contractor to continue much after the stipulated time period.

Further, with respect to the delay in re-award of the contract for the balance works, the Government replied that the delay was due to multiple revisions in the estimates prepared due to introduction of Goods and Service Tax and damage/loss of materials. The delay could have been avoided as the action involved was entirely within the purview of the Company. The process of preparation of estimates and its technical sanction consumed unreasonable time of more than two years from the date of termination (May 2016 to July 2018) which is not justified. Further, the reply is silent on exactly how the introduction of GST caused multiple revisions in the estimate.

Regarding the loss of materials worth ₹ 3.16 crore, the Government replied that the contractor was responsible for the safety of the materials until they are returned to store authorities as per the Joint Inventory statement. Also, a complaint had been lodged against the contractor under relevant sections of IPC and the investigation is under progress. The reply cannot be accepted as when the contract was terminated, the works were deemed to be taken over by the authorized representative of KPTCL as stated in the termination order. In addition, the Company should have been prompt in appointing a security agency to safeguard the assets when the contractor had communicated its inability to provide security at the premises.

The lapses at various stages resulted in a 15-year delay in project completion, a decade of idling costly equipment and a loss of ₹ 3.16 crore. The Company has

to take necessary action to address these issues and fix responsibility for such negligence.

Recommendation:

21. **Audit recommends the management to fix responsibility on the officials for not taking over the assets on termination of the contract leading to loss of assets.**

Visvesvaraya Jala Nigam Limited

6.9 Excess payment of electricity charges

Failure of VJNL to verify the correctness of the electricity bills resulted in excess payment of electricity charges amounting to ₹ 16.89 crore.

The Karnataka Electricity Regulatory Commission (KERC) issues tariff orders time to time that provide guidelines for the calculation of energy charges. As per the tariff orders, the Government owned Corporations operating Lift Irrigation Schemes (LIS) were obligated to pay the prescribed annual minimum charges, if the annual energy charges fell below the minimum prescribed threshold. The minimum electricity charges for LIS owned by Government-owned Corporations were to be determined on an annual basis, considering the installed capacity of the pump house.

The prescribed energy charges and minimum tariff charges for LIS implemented by Government owned corporations is as listed below:

Table No. 6.9.1: Electricity tariff for LIS schemes

Sl. No	Year	Energy charges and Minimum tariff as per KERC tariff order
1	2019-20	275 Paise per unit subject to annual minimum of ₹ 1480 Per HP/ annum
2	2020-21	300 Paise per unit subject to annual minimum of ₹ 1600 Per HP/ annum
3	2021-22	310 Paise per unit subject to annual minimum of ₹ 1720 Per HP/ annum
4	2022-23	315 Paise per unit subject to annual minimum of ₹ 1900 Per HP/ annum

Source: KERC Orders

Executive Engineer (EE), Upper Bhadra Project Division No 2, Visvesvaraya Jala Nigam Limited (VJNL) was operating two pump houses at Shanthipura and Bettatavarekere. These pump houses were utilised for lifting water from the Bhadra reservoir to the delivery chamber located near the proposed tunnel at Ajjampura as part of the Upper Bhadra Project. The pump houses at Shanthipura and Bettatavarekere were commissioned in February 2019 and August 2019 respectively.

Audit scrutiny (September 2021) of the electricity bills of the office of the Chief Engineer, Upper Bhadra Project Zone, VJNL revealed that the Mangalore

Electricity Supply Company (MESCOM) calculated the energy bills of the pump houses on monthly basis by dividing KERC prescribed annual minimum charges by twelve against which the actual energy charges for the month was compared with. The higher among the two charges was considered in the monthly bills of the pump houses. Audit compared the annual energy charges based on actual consumption, KERC prescribed minimum annual charges and the energy charges billed by MESCOM based on monthly computation and the details are indicated in Table below:

Table No. 6.9.2: Comparison of energy charges as per actual consumption, KERC prescribed minimum charges and actually billed by MESCOM

(₹ in crore)

Sl. No.	Year	Shantipura Pump House			Bettavarekere Pump House		
		Annual energy charges based on actual consumption	Annual minimum charges based on installed capacity	Actual energy charges billed by MESCOM based on monthly calculation	Annual energy charges based on actual consumption	Annual minimum charges based on installed capacity	Actual energy charges billed by MESCOM based on monthly calculation
1	2019-20	5.09	11.63	13.18	As the pump house was commissioned in August 2019, annual charges could not be compared		
2	2020-21	10.18	12.89	17.41	9.81	12.87	17.07
3	2021-22	10.91	12.98	17.15	10.46	12.93	16.83
4	2022-23	1.08	15.17	13.85	11.49	15.20	15.09

Source: Information compiled from electricity bills of pump houses

As observed above, for both the pump houses, the annual energy charges based on actual consumption was less than the annual minimum prescribed charges for all the financial years during the period 2019-23. During 2022-23, the actual energy charges levied by MESCOM was less than the annual minimum charges. As per the KERC tariff order, the annual minimum charges based on the installed capacity was to be levied as the electricity charges for the respective years. Since the electricity charges were calculated monthly without complying to the KERC order prescribing adoption of annual minimum charges, VJNL made excess payment of ₹ 16.89 crore on account of electricity charges during 2019-20 to 2022-23 (Details vide ***Appendix - 31 and Appendix - 32***).

Thus, the incorrect compliance by MESCOM to the KERC tariff orders regarding LIS schemes and the failure of VJNL to verify the correctness of the MESCOM bills resulted in excess payment of electricity charges to the tune of ₹ 16.89 crore.

VJNL in its reply (November 2023) accepted the audit observation and stated that MESCOM has agreed (November 2023) to withdraw the excess billing and adjust the excess amount of ₹ 24.22 crore[117] (along with interest of ₹ 2.57 crore) from the future bills of the pump houses at Shantipura and Bettavarekere. Government endorsed (December 2023) the reply of VJNL.

[117] As calculated by MESCOM for the period up to October 2023.

Further details regarding adjustments/recoveries made are awaited (May 2024).

Recommendation:

22. VJNL should review the correctness of electricity bills in respect of other LIS schemes also. A system may be developed to verify the correctness of application of tariff rates and the calculation thereof.

Gulbarga Electricity Supply Company Limited

6.10 Undue favour to Contractors

The Central Purchase Committee of Gulbarga Electricity Supply Company Limited had approved refund of Liquidated Damages of ₹10.26 crore without any valid grounds and ignoring the delays attributable to the contractors, resulting in extension of undue benefit.

Gulbarga Electricity Supply Company Limited (the Company) awarded various system improvement works during 2011-12 and 2012-13 under the Central/State sponsored schemes[118], and also through its Capex Budget. The scope of works mainly comprised Replacement of Overhead Lines by LT AB Cables, Reconductoring of 11kV lines, Installation of additional Distribution Transformer Centers, Replacement of existing meters with Electrostatic Meters, Construction of substations and lines, and Construction of agriculture feeders. The details of works are given in ***Appendix - 33***.

The contracts for execution of the above works under the jurisdiction of three divisions of the Company (Gulbarga City, Gulbarga and Bidar) were awarded to M/s Larsen & Toubro (RAPDRP - March 2012), M/s Ramlingam Construction Company (NJY - July 2011/March 2012) and M/s Sharavathy Conductors Pvt Ltd, Bangalore (Capex - March 2016) at a total cost of ₹ 172.38 crore, with a stipulation to complete within 11 months, 6 months and 9 months respectively from the date of issue of Letters of Intent. The works were, however, completed during 2015-16 and 2018-19 with delay ranging from 17 months to 38 months beyond the stipulated dates in the contracts.

The Company deducted the Liquidated Damages (LD) of ₹ 10.26 crore from the bills of the agencies for the delay in completion of works as per the terms of contract. Subsequently, based on the request of the agencies, the entire amount of LD was refunded by condoning the delay with the approval (2020-21) of the Central Purchase Committee (CPC) of the Company.

The delay in completion of works under NJY and R-APDRP were commented in the Audit Report of CAG of India on PSUs, Government of Karnataka for the year ended 31 March 2015 and 31 March 2016 respectively. Audit had further scrutinized (2022-23) the proceedings of the CPC and the grounds on which the LD was refunded to the agencies.

[118] Restructured Accelerated Power Development Reforms Programme (R-APDRP) and Niranthara Jyothi Yojana (NJY).

Audit noted that the grounds on which the decision was taken to condone the delay and refund the LD were not justified and contrary to the facts available on record. The detailed audit remarks against each of the reasons given by the CPC for condonation of delay are given in the ***Appendix - 34***. The delays attributed to the agencies, though noted by the CPC, were ignored while approving the refund of LD, despite having clear evidence of default by the agencies. Further, the CPC while condoning the delays, relied upon factors that did not contribute to delay in completion of works.

- For instance, in respect of execution of RAPDRP Part B works[119], 'entrustment of additional works' and 'reduction in scope' were considered to be reasons for delays, though in reality, they did not actually affect the original scope of work. Further, the delay in supply of meters, which was considered as prime factor for condonation had affected only one of the four components of the said contract, while the delay in completion of the remaining was not discussed by the CPC.

- Similarly in respect of NJY works[120], the CPC noted that completion of 16 out of 24 feeders in Bidar, Division-I and II divisions, which had no issues of railway crossings, had been delayed ranging from two months to three years from the target date. LD levied was refunded without any valid recorded reasons, even though delays attributable to the agencies were identified.

- In case of establishing GIS substations[121], the CPC approved refund of LD by overlooking the facts available on record. Several lapses on the part of the agency reported by the Executive Engineer (Electrical) of C&M Division, Gulbarga, were ignored while condoning the delay. The lapses included insufficient manpower deployment, delayed submission of drawings, delay in joint inspection, non-payment of statutory fee, lack of work progress even in places having no right of way issues, *etc*. It is evident that the CPC did not take cognizance of these lapses.

- The LD included both on account of delay in supply of materials and erection. An amount of ₹ 2.90 crore[122], which was deducted on account of delay in supply, was refunded to the agencies. There was neither any evidence on record, nor were the reasons assessed by the CPC for the delay in supply of materials.

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[119] Execution of RAPDRP Part B works in (i) Gulbarga City Division & Gulbarga-I (Aland Town) and (ii) Bidar Division (Bidar & Bhalki Towns). A**gency:** M/s Larsen & Toubro Limited, Bangalore. **Refund:** (i) ₹ 2.68 crore, (ii) ₹ 1.75 crore.

[120] NJY works in (i) Bhalki Taluk, O&M Division, GESCOM, Bidar, (ii) Gulbarga Taluk, O&M Division-I, GESCOM, (iii) Chitapur Taluk, O&M Division II, GESCOM. **Agency:** M/s Ramlingam Construction Company Pvt Ltd, Bangalore. **Refund:** (i) ₹ 0.45 crore, (ii) ₹ 1.23 crore, (iii) ₹ 1.28 crore.

[121] Lot-1: Establishing 3 Nos. of 33/11kV GIS substations at i. Shantinargar, ii. Service station-44 and iii. KHB hospital (High Court); Lot-2: Establishing 2 Nos. of 33/11kV GIS substations at i. KCT Gate, ii. Government General Hospital. **Agency:** M/s Sharavathy Conductors Pvt Ltd, Bangalore. **Refund:** ₹ 2.88 crore.

[122] Refer ***Appendix-34***: Sl.No.2 (₹ 1.27 crore); Sl.No.3 (₹ 0.34 crore); Sl.No.6 (₹ 1.29 crore).

- The delay condonation and LD refund was decided (August 2020/November 2020) after lapse of more than four to five years of completion (February 2015/December 2015/March 2016) of works executed by M/s Larsen & Toubro Limited and M/s Ramlingam Construction Company Pvt Ltd. Audit observed that the rationale behind the CPC's decision to take up the subject after such time lapse lacked justification.

The Board of Directors of the Company, while noting the decisions of CPC, observed (November 2020) that there was inordinate delay in providing materials by the Company causing delay in execution of works. Directions were issued to the Managing Director to apply prudent checks before approving any condonation of delay and to issue appropriate Rules[123] and procedures to deal with the cases of extension of time and refund of LD. Audit observed that the Board of Directors noted primarily the delay in supply of materials by the Company, without going into the veracity of the decision of CPC. Despite emphasizing the need for prudent checks to condone the delay, the Board did not deliberate the delays attributed to agencies and whether such prudent checks were carried out while approving for refund of LD by the CPC.

Thus, refund of the entire amount initially recovered from the bills of the contractors towards liquidated damages, ignoring the delay attributable to the contractors was not prudent and was in violation of conditions of contract. The Company should have assessed the liquidated damages recoverable as per terms of the contract, in respect of the original work awarded, duly considering the delays attributable to the contractor.

Government's reply (March 2024) reiterated the issues deliberated in CPC proceedings, which were already considered by Audit. The reply did not address the specific issues pointed out by Audit.

Recommendation:
23. Audit recommends that management should consider conditions of contract while refunding Liquidated Damages.

KPC Gas Power Corporation Limited

6.11 Avoidable extra expenditure

Failure to re-assess the requirement of start-up power resulted in avoidable expenditure of ₹ 10.17 crore.

KPC Gas Power Corporation Limited (Company), a fully owned subsidiary of Karnataka Power Corporation Limited (KPCL), entrusted (November 2015) the work of establishing 1×370 MW Yelahanka Combined Cycle Power Plant (YCCPP) at Yelahanka to M/s. Bharat Heavy Electricals Limited (BHEL) at an estimated project cost of ₹ 1,571.18 crore. The contract involved Engineering,

[123] The circular to that effect was issued during April 2021.

Procurement and Construction (EPC) with a scheduled completion period of 30 months, *i.e.,* by May 2018.

The Company requested (March 2018) the Bengaluru Electricity Supply Company Limited (BESCOM), for start-up Power[124] of 20,000 KVA at voltage of 220 KV required for initial trial operation before synchronisation of YCCPP. The unit was scheduled to be commissioned during March/April 2018. BESCOM gave approval (August 2018) for start-up power supply on Extra High Tension (EHT) basis to be evacuated through 220 KV line from the adjacent Puttenahalli Sub-station to the plant premises. The Company paid (October 2018) initial security deposit amounting to ₹ 4.42 crore and entered (December 2018) into an agreement with BESCOM for a contract demand of 20,000 KVA. The Agreement was valid initially for a period of two years from the date of commencement of supply and would stand automatically renewed from year to year thereafter, until expressly terminated in writing by either of the parties. As per the prevailing tariff, demand charges are levied on actual maximum demand recorded in a month or 85 *per cent* of contract demand, whichever is higher along with the charges for actual consumption of energy at rates applicable (HT 2 (b) tariff) from time to time.

The project which was scheduled for completion by May 2018, was not put into operation even as of September 2023 due to various reasons like gas availability *etc*.. The undue delay in project completion was reported vide ***Paragraph 2.2.7.1*** of Compliance Audit Report for the year 2021.

During the period from December 2018 to March 2023, the YCCPP plant incurred an expenditure of ₹ 36.84 crore towards electricity charges under the start-up power supply to run the auxiliaries, without actually starting generation of electricity. The maximum demand recorded during the above period ranged between 720 to 8,880 KVA (3.6 *per cent* to 44.4 *per cent* of Contract Demand). However, as per the prevailing tariff , demand charges were payable at actual recorded demand or 85 *per cent* of contract demand, whichever is higher, at the rates specified in tariff and the billing was done at 85 *per cent* of contract demand *i.e.* 17,000 KVA.

Conditions of supply of Electricity of distribution licences (Sub clause 2 of Rule 34) provides for reduction/variation in Contract Demand during agreement period by executing a fresh agreement. The reduction would be effective from the meter reading date following the expiry of two months period from date of registration of application for reduction of contract demand/sanctioned load along with fresh agreement. Despite low utilisation of power, the Company did not use this provision to reduce its contract demand. Due to non-reduction of contract demand, Company incurred an avoidable expenditure of ₹ 10.17 crore[125] as detailed in ***Appendix - 35.***

[124] Power required for running the Auxiliary equipment for commissioning activities of a new Generating Station.

[125] Calculated by taking 11,000 KVA (maximum consumption *plus* 20 *per cent* cushion, rounded off to 11,000 KVA) as required contract demand based on the highest demand recorded during startup operation in October 2020.

Government forwarded (January 2024) the reply of the Company (January 2024) which stated that due to various reasons attributable to M/s. BHEL, the commissioning activities in full scale had not been taken up. Due to this, the startup power could not be utilised in full capacity. Further, due to uncertainty about date of synchronisation of the plant to the State grid, the contract demand varied implying unpredictable startup activities. The reply is not acceptable, as the Company did not re-assess the requirement of startup power even though the date of synchronisation was uncertain due to non-availability of gas. In this scenario, Company could have opted for temporary reduction of contract demand, which could have avoided expenditure on demand charges.

Thus, non-reduction of contract demand resulted in avoidable expenditure of ₹ 10.17 crore, besides burdening the consumers, as the plant is yet to be capitalised and additional cost incurred during construction may be factored into tariff.

Recommendation:
24. Audit recommends the management to explore all avenues towards cost reduction while implementing projects.

Karnataka Neeravari Nigam Limited

6.12 Irregular advance payment on the basis of fake invoices

The invoices submitted by the Contractor in support of supply of pipes at work site did not match with the GST records of the supplier and purchaser. The vehicles claimed to have been used for transportation of pipes were found to be two wheelers/three wheelers and light motor vehicles. The above evidence indicated that the advance payment of ₹ 40.16 crore was made without verifying supply of materials by the officials of VJNL. The irregular advance payment resulted in loss of interest to the tune of ₹ 4.53 crore to KNNL.

The work of "Design, Supply, Installation, Testing and Commissioning of filling up of 48 MI/ZP tanks on Turn-Key basis" at Shiggaon in Haveri District and Kundagol in Dharwad District under Savanur Lift Irrigation Scheme (LIS) was administratively approved (February 2017) by Karnataka Neeravari Nigam Limited (KNNL). The technical sanction for the work was accorded (April 2017) by Chief Engineer, Malprabha Project Zone, KNNL, Dharwad for ₹ 97 crore. After due tendering process, the Executive Engineer, KNNL Shiggaon Lift Irrigation Division, Dharwad (Division) awarded (January 2018) the work to M/s. Ocean Constructions (India) Private Limited, Mangaluru (Contractor) for a contract price of ₹ 90.57 crore. An agreement was entered into with the Contractor on 11 January 2018 with the stipulated period of completion of 18 months *i.e.* up to 10 July 2019. The Managing Director, KNNL granted (January 2024) extension of time for completion of the project up to 31 March 2022. However, the work was under progress (September 2023) and no further extension was granted thereafter. An up-to-date payment of ₹ 83.20 crore was made to the Contractor as of March 2022.

Audit scrutiny (September 2023) of the tender document, Quality Assurance Plan (QAP), Running Account Bills (RA Bills) and payment schedule revealed that the scope of the work included *inter alia* the completed item of work namely "Supply, Laying, Joining and Testing of Pipes of Gravity main HDPE[126] Pipes for which an amount of ₹ 57.38 crore was payable as per the payment schedule. The length of HDPE pipe was estimated at 114.03 KM. The terms and stages of payment for the above item of work was defined in Section 5 (Contract Data) of the tender documents *vide* Clause 24.3 as indicated in the Table below:

Table No. 6.12.1: Conditions prescribed for payment of work item "Supply, laying and commissioning of HDPE pipes"

Sl. No.	Description	Rate of payment
1	Supplying MS pipes/HDPE pipes and specials including necessary shop tests and stacking at Contractor's yard at site & transporting the pipes to work spot	70 *per cent* of the quoted rate for pipes
Note: The amount due under Sl.No.1 will be paid as follows: (a) For the first and second consignment of pipes when the pipes and specials are accepted in the pipe yard by the Engineer.		
	(b) For the third and subsequent consignments when the pipes and specials are accepted in the pipe yard by the Engineer and at least 50 *per cent* of the pipes and specials supplied on previous consignments are laid, jointed and tested to the satisfaction of the Engineer	
2	Laying, joining and testing as directed and as per specifications	20 *per cent* of the quoted rate for pipes
3	On satisfactory commissioning	5 *per cent* of the quoted rate for pipes
4	Final Payments	5 *per cent* at the time of final bill.

Source: - Contract Agreement

The Contractor purchased the HDPE pipes from the Manufacturer[127] and pre-dispatch joint inspection[128] was carried out by the Division at the Manufacturer's site (Rajkot) on 12 July 2018. Thereafter, on 16 July 2018, the contractor claimed that all the HDPE pipes have been supplied and stored in his stock yard at worksite. Accordingly, the Division made the payment of ₹ 40.16 crore for supply of pipes (*i.e.* 70 *per cent* of the completed item of work) *vide* First Running Account (RA) bill on 07 August 2018. The remaining items of work such as (i) laying, jointing, testing of pipes and (ii) Commissioning were done subsequently between September 2018 and August 2021.

The detailed scrutiny of the Measurement Book/First RA bill revealed that the payment made to the Contractor by the Division on account of supply of pipes at work site was irregular on the following grounds:

(1) **The Contractor submitted 69 tax invoices in support of pipe purchase issued by the Distributor/Supplier[129] giving the details**

[126] High density Polyethylene.
[127] M/s. Kelvin Plastic Private Limited, Rajkot.
[128] Joint Inspection of KNNL officials along with contractor at manufacturer's place.
[129] Kisan Sales Corporation, Hubli, Karnataka.

(such as seller's/buyer's details, date/value of transaction, description of goods/ quantity /rate, registration number of vehicle used for transportation). Audit cross-checked the tax invoices with GST data which revealed that the transaction details recorded on the tax invoices did not match either with the details of GSTR-I[130] of the supplier or GSTR-2A[131] of purchaser. Out of 69 invoices, 52 invoices[132] did not pertain to the Contractor. In addition, 13 invoices[133] attached with the first RA bill were not found in GSTR-1 of the supplier. In the remaining four invoices[134], though pertaining to the Contractor, there was a mismatch in transaction value and date of transaction (*Appendix - 36*).

(2) **The cross-check of details of vehicles (which were claimed to have been used for transportation of HDPE pipes of 12 meters length) mentioned in the tax invoices with the concerned RTO authorities revealed that out of 69 invoices, 32 vehicle numbers were pertaining to two-wheelers and 20 to three-wheeler, motor car and tractors *etc*. The details of the remaining 16[135] vehicles mentioned in those invoices are awaited from concerned authorities (*Appendix - 36*).**

(3) **The GSTR-2A details of Contractor for the period from the date of work order (11 January 2018) to the date of first RA Bill (16 July 2018) revealed that the Contractor did not make any purchase of pipes from the said supplier except for some material costing ₹ 5.99 crore only.**

This shows that the invoices submitted by the Contractor for claiming ₹ 40.16 crore vide First R.A. Bill on account of supply of pipes at site were not genuine.

However, the departmental officer certified the receipt of the pipes of 114.03 km length in the measurement book on 16 July 2018 itself which formed the basis for payment to the Contractor. Audit observed that the recordings made in the measurement book on 16 July 2018 (details such as diameter, length and quantity of pipes) did not match with the recordings carried out in the measurement book at the time of laying (September 2018 to August 2021) of those pipes during execution. (*Appendix - 37*)

The above evidence clearly indicated that the Contractor submitted fake invoices and the departmental officers extended help to the Contractor to get undue financial benefit of one-time advance payment of ₹ 40.16 crore

[130] It is a monthly/quarterly statement of outward supplies to be furnished by all normal and casual registered taxpayers making outward supplies of goods and services or both and contains details of outward supplies of goods and services.

[131] It is a purchase related dynamic tax return that is automatically generated for each business by the GST portal. When a seller filed his GSTR-1, the information is captured in GSTR-2A. It takes the information of goods and/or services that have been purchased in each month from the seller's GSTR-1.

[132] Sl. No. 1-52 of ***Appendix – 36***.

[133] Sl. No. 53-65 of ***Appendix – 36.***

[134] Sl. No. 66-69 of ***Appendix – 36.***

[135] Details of one vehicle was not provided in the invoice.

which is a lumpsum 70 *per cent* of the value of the completed item. Though the contract conditions envisaged supply of pipes in multiple consignments in line with the utilisation of pipes during execution, the entire requirement of pipes for the project was shown delivered in a single consignment through fake invoices. The subsequent laying of the pipes was carried out over a period of three years from September 2018 up to August 2021.

In view of the above, in the absence of genuine/valid proof for purchase and supply of material at site, the Division should have released the payment to the Contractor as per actual utilization of pipes during the execution of work as defined in Section 5 (Contract Data) of the tender document vide *Clause 24.3*. Audit calculated the interest component in respect of the advance payment of ₹ 40.16 crore till the date of actual utilisation of those pipes in execution and found that upfront payment to the Contractor resulted in loss of interest of ₹ 4.53 crore[136] to KNNL (*Appendix - 38*).

KNNL replied (April 2024) that invoices submitted by the Contractor as proof of delivery did not form part of official documents and KNNL was not responsible for the discrepancies in them. It was further stated that the payments were made based on physical verification and certification of the receipt of the pipes at the stock yard and that the Contractor has raised tax invoice for the entire advance payment of ₹ 40.16 crore in the name of the project. Government endorsed (April 2024) the reply of KNNL.

The reply is not acceptable as it is clear that required due diligence was not exercised by KNNL as pipes of 12 meters length were claimed to have been delivered on motorcycles and three-wheelers and there was mismatch in the GST returns of the Contractor (purchaser) and the Distributor/Supplier (seller) which clearly proved that the invoices submitted by the Contractor were not genuine. The tax invoice raised by the Contractor in this case, did not constitute proof of purchase and supply of material to the worksite, but only a bill submitted by him for claiming the advance payment.

Recommendation:

25. Government needs to conduct a detailed enquiry through a suitable investigating agency and fix responsibility on officials who were responsible for false certification of receipt of material.

26. Recovery of amount of interest on advance payment may be ensured.

[136] Calculated at 13.5 *per cent* being the interest charged for advance payments as per the contract.

Karnataka State Handicrafts Development Corporation Limited

6.13 Non-achievement of objectives

Inordinate delay in completion of construction of a multi-utility complex in Peenya Industrial Area and construction of a Community Centre and renovation of a temple in Shivarapatna, Kolar District in spite of incurring an expenditure of ₹ 1.28 crore resulted in non-achievement of the objectives.

I. Karnataka State Handicrafts Development Corporation Limited (Company) owned a building constructed (1990) in Peenya Industrial Area to house a Bronze Craft Complex for the benefit of Artisans. The building has not been utilized since 1995 as the production of Bronze Articles was stopped on account of the distance factor as the craft persons were scattered at various locations in Bangalore.

The Board of Directors (BoD) of the Company, in its 286th meeting, approved (July 2017) the demolition of existing structure and decided to construct a multi-utility complex including warehouse, exhibition centre, office space, etc. The project was to be funded by the Company's own resources. It was envisaged that ₹ 50.68 lakh, being the annual rent for the warehouse, could be saved annually. BoD authorised the Managing Director to entrust the construction work either through tender process or through Karnataka Rural Infrastructure Development Limited (KRIDL). KRIDL submitted (October 2017) seven estimates at a total cost of ₹ 8.84 crore splitting the construction of complex into seven works[137].

Memorandum of Understanding (MoU) was signed (March 2018) with KRIDL for the basement floor work (₹ 1.78 crore). As per the MoU, 50 *per cent* of the estimate was to be paid on entering the MoU, 25 *per cent* was to be paid after completion of 40 *per cent* of the work, 20 *per cent* was to be paid after completion of 60 *per cent* of the work and the balance 5 *per cent* was to be paid after completion of the work. The work was to be completed within six months from the date of handing over the land. As per the MoU, ₹ 88.88 lakh (50 *per cent* of the cost) was released in March 2018. Approval for the plan was obtained from Bruhat Benagaluru Mahanagara Palike in September 2018 and the site was handed over in September 2018 to KRIDL. The work was to be completed by March 2019. However, the work is yet to be completed (February 2024).

In this connection, Audit observed that:

- GoK had granted exemption under 4(g) of Karnataka Transparency in Public Procurement (KTPP) Act (July 2016 and April 2017) to KRIDL. According to this, Public Sector Undertakings, Companies, Departments etc. could directly entrust works up to ₹ 2 crore to KRIDL

[137] Basement Floor: ₹ 177.75 lakh; Ground Floor: ₹ 178.10 lakh; First Floor: ₹ 103.40 lakh; Second Floor: ₹ 108 lakh; Third Floor: ₹ 118.15 lakh; Fourth Floor: ₹ 121.35 lakh and External Electrification & DG Set Work: ₹ 77.35 lakh.

without calling tender. However, there was a stipulation that no work should be split. KRIDL submitted (October 2017) seven separate estimates -one for each floor of the building. The Company, however, entrusted the work to KRIDL based on estimates which were split.

- KRIDL requested (January 2019) the Company to release 25 *per cent* of the estimate (₹ 44.43 lakh) as work valuing ₹ 82 lakh (which was more than 40 *per cent* of the estimate) was completed. As the Company did not release the same, KRIDL again requested (March 2019) the Company to release funds. As the Company did not release the amount even in May 2019, the work was stopped. Work valuing ₹ 111.61 lakh was completed till then. EE, KRIDL once again requested (January 2020) the Company to release the balance amount and also urged the Company that the column steel reinforcement would get corroded if the concreting was not done. The Company requested (October 2020) KRIDL to submit a revised estimate to complete the basement floor work to the level that ground floor could be utilised. There was no further progress in the work till date.

  Due to non-release of funds to KRIDL and consequent non-payment of bills, the work which was to be completed by March 2019 is yet to be completed. Even after completion of this work (basement), six more estimates are to be taken up which makes the timelines for the completion of the building uncertain.

The Government endorsed (March 2024) the reply of the Company which stated that it was decided to execute the project in a phased manner based on availability of funds and also due to lack of skilled personnel to monitor the project. Accordingly, the estimates were obtained from KRIDL. However, the project could not be carried out due to the financial losses faced during the past years. Further, the Company decided to (during 307th BM held on 28-12-2023) complete the project.

The reply is not acceptable as the splitting of work into seven estimates disregarding the stipulations of the exemption notification to entrust the work to KRIDL is not in order. The work relating to the remaining six more estimates have to be taken up one after the other, after completion of the basement. This would invariably delay the completion of the project/building.

Hence, even after more than four years of starting the work and incurring an expenditure of ₹ 88.88 lakh, the objective of having a building which would have saved warehouse rent of ₹ 50.68 lakh annually was not fulfilled. Further, the partially constructed building also will deteriorate with the efflux of time.

II. Government of Karnataka (GoK) decided (March 2007) to develop Shivarapatna village in Malur Taluq of Kolar District as "Sculpture Village" to preserve the sculptor community's traditional stone carving skills and use this as the means to improve livelihood for the entire village. GoK sanctioned (March 2007) ₹ 1 crore to the Company for the same.

Kadambari, a Non-Government Organisation (NGO), evinced keen interest in this project and came forward to be the architect and manager of the project. In a meeting between Development Commission for Handicrafts, Government of India, Rural Development & Panchayat Raj Department, the Company and Kadambari, it was decided (March 2008) to take up restoration of Sri Varadarajaswamy Temple, Construction of Community Facility Centre among other works. Consequently, the works of construction of Samudaya Bhavan at an estimated cost of ₹ 59.50 lakh and restoration of Sri Varadarajaswamy Temple at an estimated cost of ₹ 13.68 lakh were awarded (February 2009) to Shri K Srinivas (contractor) by the Executive Engineer, Panchayat Raj Engineering Division, Kolar. Government of Karnataka granted (February 2009) 4 (g) exemption from KTPP Act to entrust the work of architecture and project management to Kadambari at a cost of ₹ 10 lakh. The site was handed over to the contractor in October 2009 and the work was to be completed within nine months from the date of handing over the site (by July 2010). Based on the requests, the Company released ₹ 35.35 lakh[138] to the Chief Executive Officer, Zilla Panchayat, Kolar.

The works were delayed mainly due to the contractor. Five notices were issued to the contractor between June 2010 and August 2011. The contractor had agreed (May 2011) to complete the work by September 2011. However, the contractor did not complete the work.

Kadambari stated (June 2013) that the contractor has to correct all the quality and basic construction problems and make himself and his team available for meetings called for review of work. The Executive Engineer, Panchayat Raj Engineering Division, Kolar stated (June 2016) that the work was incomplete and stopped. In view of the failure of the contractor to execute the work as per the designs and instructions, Kadambari withdrew (June 2016) from the project. There was no further progress in the work. The total expenditure of ₹ 39.04 lakh[139] incurred on the project became infructuous due to lack of co-ordination and monitoring.

The Government endorsed (March 2024) the reply of the Company which stated, that during February 2022/May 2023, it had addressed letters to the Chief Executive Officer, Zilla Panchayat, Kolar calling for details of expenditure, utilization certificates and reasons for non-completion of the work even after ten years for which reply is yet to be received. The Company also stated that it is in constant touch with the officials to decide on a further course of action. The reply reiterates the deficiency in monitoring as the Company has not taken any action from June 2016 to February 2022.

Hence, the very objective of the GoK to develop the Shivarapatna village as "Sculpture Village" for the welfare of sculptor community thereby to improve livelihood for the entire village has not been fulfilled even after the completion of 14 years. Further, the Company's objective to own its multi-utility complex to reap benefits thereon also remains stranded even after completion of 4 years.

[138] ₹ 13.35 lakh on 29 April 2010; ₹ 11 lakh on 28 September 2010 and ₹ 11 lakh on 18 November 2010.

[139] Including ₹ 3.19 lakh towards printing and ₹ 0.50 lakh towards honorarium.

Thus, the Company could not achieve its objectives in the above cases in spite of incurring an expenditure of ₹ 1.28 crore The reasons for non-completion of the works were splitting of works, non-payment of contractor's bills, lack of co-ordination and monitoring.

Recommendation:

27. Audit recommends that Management should comply with provisions of 4(g) exemptions under KTPP Act while taking up the works and should ensure timely completion of projects to achieve intended benefits besides to avoid additional financial burden.

Karnataka State Police Housing and Infrastructure Development Corporation Limited

6.14 Failure to enforce defect liability clause resulted in extra cost.

Non-compliance by Karnataka State Police Housing and Infrastructure Development Corporation Limited to KPWD Code regarding reckoning of the work completion date led to non-enforcement of defect liability clause against the Contractor resulting in extra expenditure of ₹ 1.23 crore for rectification of the structural defects.

Paragraph 188 of Karnataka Public Works Departmental Code (KPWD Code) prescribes that Contractor should submit a completion report when the Sub-Divisional Officer in charge of the work is satisfied that:

- all items mentioned in the estimate or other necessary contingent items in respect of water supply, UGD and electricity are completed and
- all unwanted materials *etc*., have been removed and the surroundings as well as interior of the work were made clean.

The Executive Engineer may then take over the work from the Contractor after which the Contractors' final bill may be paid and accounts of the work closed by submitting the completion certificate.

Government of Karnataka approved (November 2013) the project of Karnataka State Police Housing and Infrastructure Development Corporation Limited (the Company) to take up the construction of 11,000 Police Quarters at various districts in Karnataka under Police Gruha 2020 Scheme. Accordingly, the Company took up the work of construction of 128 police constable quarters at Binny Mill, Tank Bund Road in Bengaluru Urban District. The Managing Director (MD) of the Company accorded (December 2015) technical sanction to the estimate of ₹ 30.91 crore and invited (December 2015) tenders for the work on lumpsum turn-key basis based on tenderer's own design/alternate technology/conventional method of construction. The Company entrusted (April 2016) the work to M/s. P.G. Setty Constructions Technology Pvt. Ltd, Mysore (Contractor) at the tendered cost of ₹ 23.98 crore. The scope of work

consisted of construction of 128 flats in two blocks A and B having 64 flats each. The work was stipulated to be completed by 28 November 2017.

Clause No.8 of the agreement executed (March 2016) between the Company and Contractor specified that:

(i) Defect Liability Period (DLP) shall mean the period after the issue of certificate of completion of work by the Engineer-in-charge during which the structure has to function without any trouble or defects.

(ii) DLP shall be 12 months from the date of completion as certified by the Engineer-in-charge except for the lift and STP for which DLP would be three years from the date of completion.

(iii) During DLP, the Contractor is solely responsible for repairing / replacing any structural defects found in the work executed.

Clause 31.1 of the agreement also prescribed that the employer shall give notice to the Contractor for any defects noticed before the end of the DLP and DLP shall be extended as long as the defects were not rectified.

Audit scrutiny (November 2022) of records of the Company revealed that the Contractor could not complete the work within the stipulated period and hence, extension of time to complete the work was granted by the Company from time to time. Third and last extension of time was up to 31 August 2018. The measurements for the final bills were carried out on 25 March 2019 and the final bill for up-to-date work done amounting to ₹ 23.98 crore was paid to the Contractor on 23 May 2019. However, the date of completion of work was indicated as 31 August 2018 in the Work Completion certificate issued by the Executive Engineer, Bengaluru Urban-2 (Division). The Company also released (March 2020) the withheld amount of ₹ 0.36 crore on account of defect liability period and the security deposit of ₹ 1.20 crore in respect of the above work. The fact that the Contractor did not complete the work as of 31 August 2018 was substantiated by the following:

- The Contractor in letter addressed (September 2018) to the Executive Engineer had admitted that final asphalting works of internal roads could not be completed as there was continuous rain.
- The Project Management Consultant (PMC)[140] in the letters addressed (October 2018 and February 2019) to the Contractor had stated that works pertaining to road asphalting, external and internal electrical commissioning, plantation of trees and approval from statutory bodies such as Fire Department, BWSSB and BESCOM were pending.
- Assistant Executive Engineer, No.1 Sub-division, Bengaluru in letter addressed (February 2019) to Executive Engineer of the Division opined that the final bill of the Contractor could be admitted, only if, the

[140] ACS Design Consulting Pvt. Ltd., Bengaluru.

pending works[141] were completed and time extension up to 17 December 2018 was granted.

- The PMC after scrutiny of final bill submitted (February 2019) by the Contractor informed (March 2019) that final payment could be considered after withholding relevant amount for balance works pending for completion. The final bill was admitted (April 2019) for payment only after the balance works were attended by the Contractor.

Thus, from the above communications between the Company, PMC and the Contractor, it was evident that the work was not completed till March 2019 when the final measurements were made. Hence, the issue of work completion certificate indicating the date of completion as 31 August 2018 was done without exercising due diligence and needs justification.

Meanwhile, the Company observed (June 2019) that there was separation of grouted joint between parapet of the corridor and lift well of Block B. During September 2019, Block B of the quarters showed foundation settlement which resulted in leaning of Block B towards east. The officials of the Company, PMC and the Contractor conducted (June 2020) site visit for inspection of the gap at joints on either side of Block B. The vertical alignment of the building at eight corners of Block B and the distances between the plumb lines were watched continuously for six months which confirmed that the gap had widened further.

The Company constituted (September 2021) a Technical Experts Advisory Committee (TEAC) to obtain suitable remedial measures for widening gap joints on either side of the lift well in Block-B of the PC Quarters. TEAC recommended (April 2022) to strengthen sub soil and existing raft of the tilting portion of Block B by driving micro piles with grouting and providing an additional thickness of reinforced concrete to the existing raft.

Though the MD issued (October 2021) a notice to the Contractor to rectify the defects within a period of 15 days, action taken against or by the Contractor in this regard was not made available to Audit. The records further revealed that the Board of Directors while according approval to restoration work (March 2022) directed to forfeit any retained amount of the original Contractor lying with the Company and to explore the possibility of recovery from other Government works being executed by the Contractor, as well as to initiate civil and criminal proceedings for imposing penalty and awarding damages for negligence, misrepresentation of facts and fraud. The Company entrusted (July 2022) the above work to M/s. G.P. Soil Techniques, Bengaluru for an agreed tendered amount of ₹ 1.23 crore. The work was under progress and payment of ₹ 1.10 crore was made (March 2023) to M/s. G.P. Soil Techniques.

Thus, non-compliance by the Company to the provisions of KPWD Code regarding determination of work completion date resulted in preponing the date to August 2018, even though substantial works were pending to be completed. Further, though the defects were initially noticed during June 2019 which was

[141] Providing water supply connection, testing raw and treated water, providing service shafts and vent doors for corridors, painting of kerb stones, toilet ceiling and STP pump room, testing of water supply and sanitary pipelines *etc*.

well within the DLP, the Company failed to evoke Clause 31.1 of the contract agreement which stipulated extension of DLP till the defects were rectified. As a result, the Company failed to comply the directives of the Board of Directors for holding the Contractor responsible for the defects in construction and had to incur extra expenditure of ₹ 1.23 crore for rectification of the structural defects. The structural defects rendered the tilted portion of Block B consisting of 32 flats unusable till the rectification works were completed.

The Company replied (March 2024) that major structural defects were noticed after the DLP, the pending works carried out during DLP were minor in nature and that final bills were submitted after due completion of the above pending works. The Company also stated that though the defect was initially observed during June 2019, the Contractor conceived it as a separation of joint and covered up the structural defects to absolve his responsibility during DLP. Hence, the Company has filed a criminal case (March 2022) and a civil suit of ₹ 15.80 crore (October 2023) against the Contractor to compensate for the financial loss and collateral damages which included ₹ 1.25 crore incurred towards restoration work. Government endorsed (March 2024) the reply of the Company.

The reply is not acceptable due to the following reasons:

- The pending works as of August 2018 were not minor but a part of the original scope of work as evidenced by the letters submitted by AEE and PMC in charge of the work and were required to be completed before issuing the completion certificate as per Paragraph 188 of KPWD Code;

- The Company not only failed to extend the DLP as per *Clause 31.1* of the Contract agreement, but also released (March 2020) the available security deposit (₹ 1.20 crore) and money withheld (₹ 0.36 crore) from the Contractor despite having noticed major structural defects in the construction of police quarters in June 2019 itself.

Thus incorrect determination of work completion date and consequent failure to operate the defect liability clause and fix responsibility on the Contractor for the structural defects in the building has resulted in financial loss to the Company on account of extra expenditure of ₹ 1.23 crore for rectification works.

Recommendation:

28. Responsibility needs to be fixed on the officials who were responsible for flouting KPWD code provisions regarding determination of work completion date and contract clauses regarding operation of the defect liability period.

Mysore Sales International Limited

6.15 Avoidable Expenditure

Delay in execution of the project of construction of Godown building resulted in avoidable expenditure of ₹ 93.14 lakh.

The Mysore Sales International Limited (Company) approached (June 2002) Karnataka Industrial Area Development Board (KIADB) for allotment of one acre land for construction of Godown to construct a warehouse for paper and liquor Divisions at Kalaburgi (erstwhile Gulbarga). The KIADB allotted (July 2002) the land (plot numbers 30 and 31 measuring 3,873 sq. metres) at Kapnoor 2nd Stage Industrial Area, Kalaburgi at a tentative price of ₹ 4.00 lakh. The possession of the land was taken (August 2007) and lease cum sale agreement was entered into with KIADB (October 2007). As per the terms and conditions of lease cum sale agreement, the lease would be for a period of six years with a condition that the Company should complete construction work within 24 months from the date of taking possession of the scheduled premises.

The Company, during January 2011, decided to take up the construction of Godown at Kalaburgi and appointed (September 2012) an architect for preparation of estimates and structural designs. The architect prepared the estimate at ₹ 7.59 crore for construction of ground and first floor. Based on the estimate, the Company initiated the tender process in December 2012 but the tenders were cancelled after evaluation stating that the project would be implemented after completing the ongoing projects at Baikampady, Mangaluru and Karnataka Bhavan at Mumbai. The construction was deferred up to 2017 and during 2018, Company appointed a consultant civil engineer, who prepared an estimate of ₹ 3.00 crore for ground floor. The Company invited (December 2018) tenders for construction of the warehouse and Work Order was issued (July 2019) to lowest tenderer M/s. S & S Innovations (contractor) at negotiated price of ₹ 2.90 crore with a stipulation to complete the work in 14 months *i.e.* by September 2020. However, the work was not completed and a revised work order with additional cost of ₹ 1.88 crore was issued in November 2021. The work which was to be completed by May 2022 (as per revised work order) is yet to be completed (September 2023).

In this connection, Audit observed that:

- There was inordinate delay in commencing the project. As per clause 10(1)(iii) of the lease cum sale agreement, lessee shall complete construction work within 24 months from the date of taking possession of the land (July 2009). As the Company could not take up the construction of the Godown within the stipulated time, extension of time was requested and KIADB granted extension periodically by levying penalty and collecting current market cost of land. The Company paid difference in land cost amounting to ₹ 15.15 lakh in August 2013 and a penalty of ₹ 2 lakh in February 2016.

- The plan sanctioned (March 2013) by KIADB had provision for ground floor and first floor. The consultant Civil Engineer appointed by Company for the project prepared the estimate for ₹ 3 crore without proper drawings and limiting the project to ground floor only and limiting the quantities of some key items like excavation, columns and beams. The Company invited tenders based on the estimate prepared by the engineer and issued Work Order in July 2019. However, as the executed quantities did not match with the estimated quantities, the architects[142] prepared (October 2020) a revised estimate for ₹ 4.88 crore and a revised work order with additional cost of ₹ 1.88 crore was issued in November 2021 after approval of the Board (September 2021). The extra items included, excavation in soft and hard rock, construction of embankment and providing water proof treatment to roof besides construction of head room. Further, the contractor/architect did not seek prior approval of the Company for carrying out the additional work which involved additional cost of ₹ 1.88 crore. Thus, preparation of defective estimate by the consultant engineer resulted in cost escalation and further delay in completion of the project.

- Considering three months (from January 2013) for feasibility and two years as the time required for finalization of tenders and for execution of the work, the Company could have completed the construction of the building by March 2016 and it could have occupied the premises, thereby avoiding payment of rent for its office and godown. The avoidable payment of rent for the period from April 2016 to September 2023 works out to ₹ 75.99 lakh as detailed in ***Appendix - 39***.

- During construction, soft rock (1727.56 cum) and hard rock (854.70 cum) were excavated as extra items and an amount of ₹ 42.00 lakh was paid. However, the same were neither accounted for nor utilised.

The Government replied (January 2024) that the Company could not take up the project within extended time, as it was in the process of completing important projects (such as Karnataka Bhavan in Navi Mumbai, Warehouse at Mangalore) and due to administrative reasons. The reply is not acceptable as the Godown was constructed without completion of the Karnataka Bhavan at Navi Mumbai, which was also delayed[143] and the Mangaluru Godown was completed and leased only during June 2022. The exact administrative reasons have not been explained to Audit.

[142] M/s. Shobha & Mahesh Associates.
[143] Commented in ***Para 2.3 of Part-II, Report no. 3 of the year 2022***, Government of Karnataka.

Thus, the deferment of commencing the work of construction of building even though estimate was prepared, tenders were floated and building plan was approved by KIADB, as early as in 2013-14, resulted in incurring an avoidable expenditure of ₹ 93.14 lakh[144].

Recommendation:

29. Audit recommends that, management shall fix responsibility on the delinquent official for lapses in preparation of estimate and complete the projects in hand at the earliest to reduce expenditure.

Bengaluru

(Vimalendra Anand Patwardhan)
The Principal Accountant General (Audit-II)
Karnataka

Countersigned

New Delhi

(K. Sanjay Murthy)
The Comptroller and Auditor General of India

[144] ₹ 15.15 lakh towards current market price of land paid to KIADB, ₹ 2 lakh towards penalty and ₹ 75.99 lakh rent paid.

Appendices

Appendix – 1

(Referred to in Paragraph 1.1.4.1)

List of State Public Sector Enterprises

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

Appendix – 1 contd.

Sl. No.	Name of PSU	Abbreviation	Category
30	Karnataka Road Development Corporation Limited *	KRDCL	GC
31	Krishna Bhagya Jala Nigam Limited *	KBJNL	GC
32	Karnataka Neeravari Nigam Limited *	KNNL	GC
33	Cauvery Neeravari Nigama Limited *	CNNL	GC
34	Vishveswaraya Jala Nigam Limited *	VJNL	GC
35	Tadadi Port Limited *	TPL	GC
36	Hubli Dharwad BRTS Company Limited *	HDBRTS	GC
37	Invest Karnataka Forum #	IKF	GCOC
38	Tumakuru Machine Tool Park #	TMTP	GCOC
39	Hubballi Dharwad Smart City Limited #	HDSCL	GCOC
40	Davanagere Smart City Limited #	DSCL	GCOC
41	Belagavi Smart City Limited #	BSCL Belagavi	GCOC
42	Shivamogga Smart City Limited #	SSCL	GCOC
43	Tumakuru Smart City Limited #	TSCL	GCOC
44	Mangaluru Smart City Limited #	MSCL	GCOC
45	Bengaluru Smart City Limited #	BSCL Bengaluru	GCOC
46	Bengaluru PRR Development Corporation Limited#	BPRRDCL	GCOC
47	Rail Infrastructure Development Company (Karnataka) Limited *	RIDCKL	GC
48	CBIC Tumakuru Industrial Township Limited #	CTITL CBIC Tumkur	GCOC
49	Bengaluru Integrated Rail Infrastructure Development Enterprises Limited *	Bi-Ride	GC
50	Bangalore Solid Waste Management Company Limited #	BSWML	GCOC
51	Bangalore Airport Rail Link Limited (under voluntary liquidation)	BARL	Under liquidation
52	Bangalore Suburban Rail Company Limited (Non-working) *	BSRCL	Under liquidation
	Power		
53	Karnataka Power Corporation Limited *	KPCL	GC
54	KPC Gas Power Corporation Limited *	KPCGPCL	GC
55	Raichur Power Corporation Limited *	RPCL	GC
56	Karnataka Power Transmission Corporation Limited *	KPTCL	GC
57	Bangalore Electricity Supply Company Limited *	BESCOM	GC
58	Hubli Electricity Supply Company Limited *	HESCOM	GC
59	Mangalore Electricity Supply Company Limited *	MESCOM	GC
60	Chamundeshwari Electricity Supply Corporation Limited *	CESC	GC
61	Gulbarga Electricity Supply Company Limited *	GESCOM	GC
62	Karnataka Renewable Energy Development Limited*	KREDL	GC
63	Power Company of Karnataka Limited #	PCKL	GCOC

Appendix – 1 contd.

Sl. No.	Name of PSU	Abbreviation	Category
	Service		
64	Karnataka State Tourism Development Corporation Limited *	KSTDC	GC
65	Jungle Lodges and Resorts Limited *	JLR	GC
66	D. Devraj Urs Truck Terminals Limited #	DDUTTL	GCOC
67	Karnataka Food and Civil Supplies Corporation Limited *	KFCSCL	GC
68	Karnataka Tourism Infrastructure Limited *	KTIL	GC
69	Karnataka State Medical Supplies Corporation Limited *	KSMSCL Medicals	GC
	Others		
70	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited *	LIDKAR	GC
71	Karnataka State Coir Development Corporation Limited *	KSCDCL	GC
72	Karnataka Soaps and Detergents Limited*	KSDL	GC
73	The Mysore Paper Mills Limited *	MPM	GC
74	Karnataka Vidyuth Karkhane Limited *	KAVIKA	GC
75	The Mysore Electrical Industries Limited *	MEI	GC
76	NGEF (Hubli) Limited *	NGEFH	GC
77	Karnataka Silk Industries Corporation Limited *	KSIC	GC
78	Karnataka Silk Marketing Board Limited*	KSMB	GC
79	Karnataka State Textile Infrastructure Development Corporation Limited *	KSTIDCL	GC
80	Karnataka State Minerals Corporation Limited *	KSMCL	GC
81	The Hutti Gold Mines Company Limited *	HGML	GC
82	Mysore Sugar Company Limited *	MYSUGAR	GC
83	Mysore Paints and Varnish Limited *	MPVL	GC
84	Mysore Sales International Limited *	MSIL	GC
85	Marketing Communication and Advertising Limited *	MCA	GC
86	Karnataka State Agro Corn Products Limited *	KSACPL	GC
87	Karnataka State Agricultural Produce Processing and Export Corporation Limited *	KAPPEC	GC
88	Karnataka State Pulses Abhivridhi Mandali Limited *	KSACPL	GC
89	Karnataka Fisheries Development Corporation Limited *	KFDC Fisheries	GC
90	Karnataka Sheep and Wool Development Corporation Limited *	KSAWDCL	GC
91	Karnataka Compost Development Corporation Limited *	KCDCL Compost	GC
92	Karnataka Cashew Development Corporation Limited *	KCDCL Cashew	GC
93	Karnataka Forest Development Corporation Limited *	KFDCL Forest Dev	GC
94	Karnatak State Forest Industries Corporation Limited *	KSFIC	GC
95	Karnataka State Seeds Corporation Limited *	KSSCL	GC
96	Food Karnataka Limited #	FKL	GCOC
97	Karnataka State Mango Development and Marketing Corporation Limited*	KSMDMCL	GC

Appendix – 1 contd.

Sl. No.	Name of PSU	Abbreviation	Category
98	Karnataka Antharaganga Micro Irrigation Corporation Limited *	KAMICL	GC
99	Bangalore Bio-innovation Centre *	BBC	GC
100	Karnataka State Small Industries Development Corporation Limited *	KSSIDC	GC
101	Karnataka State Electronics Development Corporation Limited *	KEONICS	GC
102	Karnataka State Beverages Corporation Limited *	KSBCL	GC
103	Karnataka Vocational Training and Skill Development Corporation Limited *	KVTSDCL	GC
104	Karnataka Public Lands Corporation Limited *	KPLCL	GC
105	Karnataka Mining Environment Restoration Corporation Limited *	KMERCL	GC
106	Science Gallery Bengaluru #	SGB	GCOC
107	International Flower Auction Bangalore Limited*	IFAB	GC
108	Canara Plastic Forum #	CPF	GCOC
109	Shiggaon Textile Park #	STP	GCOC
110	Karnataka Agro Industries Corporation Limited (Non-working) *	KAIC	GC
111	The Mysore Tobacco Company Limited (Non-working) *	MTC	GC
112	Karnataka Pulpwood Limited (Non-working) *	KPL (Pulpwood)	GC
113	The Karnataka State Veneers Limited (under liquidation) *	KSVL	GC
114	The Mysore Match Company Limited (Non-working) *	MMCL	GC
115	The Mysore Lamp Works Limited (Non-working) *	MLW	GC
116	Mysore Cosmetics Limited (under liquidation) *	MCL	GC
117	The Mysore Chrome Tanning Company Limited (Non-working) *	MCT	GC
118	NGEF Limited (Non-working) *	NGEF	GC
119	Karnataka Telecom Limited (under liquidation) *	KTL	GC
120	The Mysore Acetate and Chemicals Company Limited (under liquidation) *	MACCL	GC
121	Vijayanagar Steel Limited (Non-working) *	VSL	GC
	Statutory Corporations		
122	Karnataka State Road Transport Corporation $	KSRTC	SC
123	Bangalore Metropolitan Transport Corporation $	BMTC	SC
124	North Western Karnataka Road Transport Corporation $	NWKRTC	SC
125	Kalyana Karnataka Road Transport Corporation $ (Previously North Eastern Karnataka Road Transport Corporation)	KKRTC	SC
126	Karnataka State Financial Corporation $	KSFC	SC
127	Karnataka State Warehousing Corporation $	KSWC	SC

***: Government Companies (GC) #: Government controlled other companies (GCOC).**

$: Statutory Corporations (SC).

Appendix – 2

(Referred to in Paragraph 1.6.1)

Details of SPSEs without operating profit as per their latest certified accounts (where net profit is lower than other income)

(₹ in crore)

Sl. No.	Name of the SPSE	Working Status	Year of accounts	Net profit	Revenue from operations	Other Income	Total Revenue
1	Mangalore Electricity Supply Company Limited	Working	2022-23	51.85	4,544.98	196.16	4,741.14
2	Gulbarga Electricity Supply Company Limited	Working	2021-22	10.45	5,851.02	236.47	6,087.49
3	Karnataka State Women's Development Corporation	Working	2021-22	3.00	4.21	4.02	8.23
4	Dr.B.R. Ambedkar Development Corporation Limited	Working	2019-20	134.35	28.05	150.98	179.03
5	Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited	Working	2020-21	5.99	8.58	40.87	49.44
6	Karnataka Thanda Development Corporation Limited	Working	2020-21	0.70	0.00	6.86	6.86
7	Karnataka Bhovi Development Corporation Limited	Working	2019-20	6.62	0.07	8.69	8.76
8	Karnataka State Safai Karmachari Development Corporation Limited	Working	2019-20	2.29	0.00	3.68	3.68
9	Karnataka Adi Jambava Development Corporation	Working	2020-21	2.04	0.00	4.12	4.12
10	Karnataka State Handicrafts Development Corporation Limited	Working	2019-20	0.35	38.26	2.04	40.30
11	The Mysore Electrical Industries Limited	Working	2021-22	6.74	110.24	6.77	117.01
12	NGEF (Hubli) Limited	Working	2021-22	0.81	62.11	1.88	63.99
13	Karnataka Sheep and Wool Development Corporation Limited	Working	2019-20	0.76	0.23	83.51	83.74
14	Karnataka Cashew Development Corporation Limited	Working	2022-23	0.83	4.19	4.23	8.42
15	Karnataka State Mango Development and Marketing Corporation Limited	Working	2021-22	0.03	0.00	0.08	0.08
16	Sree Kanteerava Studios Limited	Working	2022-23	0.19	1.48	0.23	1.71
17	Karnataka Rural Infrastructure Development Limited	Working	2021-22	124.24	2,733.43	183.09	2,916.52
18	Rajiv Gandhi Housing Corporation Limited	Working	2021-22	19.25	0.38	27.28	27.66
19	Karnataka Road Development Corporation Limited	Working	2021-22	4.57	84.87	12.04	96.91
20	Tumakuru Machine Tool Park	Working	2021-22	0.03	0.00	0.04	0.04
21	Belagavi Smart City Limited	Working	2021-22	0.01	0.00	4.84	4.84
22	Mangaluru Smart City Limited	Working	2021-22	0.21	0.01	9.00	9.01
23	Karnataka State Small Industries Development Corporation Limited	Working	2021-22	15.42	36.27	33.76	70.03
24	Karnataka Tourism Infrastructure Limited	Working	2021-22	1.56	0.10	2.78	2.88
25	Karnataka Public Lands Corporation Limited	Working	2021-22	0.98	0.00	5.39	5.39
26	Karnataka State Warehousing Corporation	Working	2021-22	0.06	93.92	10.67	104.59

Appendix – 2 contd.

Sl. No.	Name of the SPSE	Working Status	Year of accounts	Net profit	Revenue from operations	Other Income	Total Revenue
27	CBIC Tumakuru Industrial Township Limited	Working	2021-22	14.02	0.00	20.57	20.57
28	International Flower Auction Bangalore Limited	Working	2022-23	1.04	3.55	1.46	5.01
29	Bengaluru Solid Waste Management Limited	Working	2021-22	0.01	0.00	0.69	0.69
30	The Mysore Tobacco Company Limited	Non-Working	2021-22	0.24	0.00	1.38	1.38
31	The Mysore Chrome Tanning Company Limited	Non-Working	2022-23	0.03	0.00	0.07	0.07
32	Bangalore Airport Rail Link Limited	Non-Working	2021-22	0.05	0.00	0.16	0.16
Grand Total				**408.72**	**13,605.94**	**1,063.80**	**14,669.74**

Appendix – 3

(Referred to in Paragraph 1.8.2)

Details of SPSEs whose Net worth has eroded as per their latest finalized accounts

(₹ in crore)

Sl. No.	Name of SPSE	Latest year of Accounts finalized	Total paid up capital (exclusive of Share Deposit) as per latest finalized accounts	Net profit (+)/ Loss (-) after Interest, tax and dividend	Accumulated losses	Net worth	State Government Equity as on 31 March 2023 (exclusive of Share Deposit)	State Government Loans as on 31 March 2023
1	2	3	4	5	6	7	8	9
1	KPC Gas Power Corporation Limited	2021-22	14.05	-	(33.85)	(19.80)	-	-
2	Raichur Power Corporation Limited	2021-22	2,999.76	(678.22)	(7,088.48)	(4,088.72)	-	-
3	Bangalore Electricity Supply Company Limited	2022-23	1,343.54	(1,767.49)	(4,479.94)	(3,136.40)	1,343.54	547.86
4	Hubli Electricity Supply Company Limited	2022-23	2,151.94	(836.22)	(7,258.09)	(5,106.15)	2,151.94	759.58
5	Chamundeshwari Electricity Supply Corporation Limited	2022-23	1,108.16	(298.40)	(2,686.05)	(1,577.89)	1,108.16	-
6	Gulbarga Electricity Supply Company Limited	2021-22	1,640.16	**10.45**	(3,101.41)	(1,461.25)	1654.37	422.96
7	Karnataka Uppara Development Corporation Limited	2021-22	0.10	(0.86)	(1.11)	(1.01)	0.10	
8	Karnataka Handloom Development Corporation Limited	2019-20	51.88	(14.47)	(169.37)	(117.49)	46.68	60.13 -
9	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited	2019-20	6.85	(1.24)	(23.74)	(16.89)	6.85	9.77
10	Karnataka State Coir Development Corporation Limited	2021-22	3.01	(0.75)	(4.19)	(1.18)	3.01	2.51
11	The Mysore Paper Mills Limited	2014-15	118.89	(92.87)	(519.50)	(400.61)	76.97	839.55 -
12	Karnataka Vidyuth Karkhane Limited	2021-22	5.62	(19.01)	(7.06)	(1.44)	5.62	7.84
13	NGEF (Hubli) Limited	2021-22	3.20	**0.81**	(15.71)	(12.51)	-	2.00
14	Karnataka Silk Marketing Board Limited	2021-22	31.45	(0.16)	(49.40)	(17.95)	31.45	22.00
15	Mysore Sugar Company Limited	2014-15	8.73	(43.02)	(504.02)	(495.29)	7.81	2.22
16	Karnataka State Tourism Development Corporation Limited	2021-22	6.41	(2.88)	(28.93)	(22.52)	5.00	-
17	Karnataka State Agro Corn Products Limited	2021-22	2.44	**1.32**	(39.74)	(37.30)	2.44	24.32
18	Karnataka State Pulses Abhivridhi Mandali Limited	2022-23	5.00	(0.01)	(11.48)	(6.48)	5.00	-
19	Karnataka Compost Development Corporation Limited	2021-22	0.50	(1.21)	(5.32)	(4.82)	-	
20	Rajiv Gandhi Housing Corporation Limited	2021-22	3.00	**19.25**	(14.27)	(11.27)	3.00	-

Appendix – 3 contd.

Sl. No.	Name of SPSE	Latest year of Accounts finalized	Total paid up capital (exclusive of Share Deposit) as per latest finalized accounts	Net profit (+)/ Loss (-) after Interest, tax and dividend	Accumulated losses	Net worth	State Government Equity as on 31 March 2023 (exclusive of Share Deposit)	State Government Loans as on 31 March 2023
1	2	3	4	5	6	7	8	9
21	Hubballi Dharwad Smart City Limited	2021-22	0.10	(0.65)	(3.65)	(3.55)	0.05	-
22	Shivamogga Smart City Limited	2022-23	0.10	(0.26)	(1.98)	(1.88)	0.05	-
23	Tumakuru Smart City Limited	2021-22	0.10	(0.42)	(2.79)	(2.69)	0.05	-
24	Karnataka Vocational Training and Skill Development Corporation Limited	2018-19	0.01	(2.94)	(2.24)	(2.23)	0.01	
25	Karnataka Mining Environment Restoration Corporation Limited	2021-22	0.01	(1.21)	(4.44)	(4.43)	0.01	
26	Karnataka State Road Transport Corporation	2021-22	291.89	(423.31)	(1,477.50)	(1,185.61)	242.79	-
27	Bangalore Metropolitan Transport Corporation	2021-22	314.45	(178.25)	(1,403.47)	(1,089.02)	679.72	-
28	North Western Karnataka Road Transport Corporation	2021-22	368.80	(462.58)	(1,919.66)	(1,550.86)	142.31	-
29	Kalyana Karnataka Road Transport Corporation	2021-22	131.12	(225.82)	(1,112.19)	(981.07)	523.45	-
30	Karnataka Agro Industries Corporation Limited	2022-23	7.54	(40.47)	(453.01)	(445.47)	7.54	68.98
31	The Mysore Tobacco Company Limited	2021-22	0.77	**0.24**	(3.91)	(3.14)	0.62	1.54
32	Karnataka Pulpwood Limited	2020-21	15.16	(0.01)	(21.03)	(5.87)	13.91	-
33	The Karnataka State Veneers Limited	2004-05	1.00	(0.45)	(8.85)	(7.85)	-	-
34	The Mysore Match Company Limited	2022-23	0.05	(0.07)	(0.76)	(0.71)	0.01	0.23
35	The Mysore Lamp Works Limited	2021-22	11.81	(13.07)	(374.10)	(362.29)	10.76	120.97
36	Mysore Cosmetics Limited	2003-04	0.16	(0.79)	(3.12)	(2.96)	-	-
37	The Mysore Chrome Tanning Company Limited	2022-23	0.76	**0.03**	(8.35)	(7.59)	-	0.12
38	NGEF Limited	2019-20	46.51	(55.44)	(1,149.55)	(1,103.04)	46.51	239.07
39	Karnataka State Medical Supplies Corporation Limited	2019-20	0.01	(0.01)	(0.01)	-	-	
40	Karnataka Veerashaiva-Lingayath Development Corporation Limited	Jan 2021-Mar 2022	0.01	(0.69)	(0.69)	(0.68)	0.01	
Total			**10,695.05**	**(5,131.15)**	**(33,992.96)**	**(23,297.91)**	**8,119.74**	**3,131.65**

*** Information in column 3 to 7 has been taken from latest certified accounts. Data at column 8 and 9 has been taken as per the information provided by respective SPSEs as on 31 March 2023.**

Appendix – 4

(Referred to in Paragraph 2.3.2)

Statement showing SPSE-wise the status of arrears of accounts as on 30 September 2023

Sl. No.	Name of the SPSE	Working Status	Net worth eroded?	Year of last audited financial statements	Pending status (as at 30.09.23)
1	Bengaluru Smart City Limited	Working	No	2023	-
2	Bengaluru Integrated Rail Infrastructure Development Enterprises Limited	Working	No	2023	-
3	Bengaluru PRR Development Corporation Limited	Working	No	2023	-
4	Davanagere Smart City Limited	Working	No	2023	-
5	International Flower Auction Bangalore Limited	Working	No	2023	-
6	Karnataka Asset Management Company Private Limited	Working	No	2023	-
7	Karnataka Cashew Development Corporation Limited	Working	No	2023	-
8	Karnataka Forest Development Corporation Limited	Working	No	2023	-
9	Karnataka State Beverages Corporation Limited	Working	No	2023	-
10	Sree Kanteerava Studios Limited	Working	No	2023	-
11	Karnataka State Police Housing and Infrastructure Development Corporation Limited	Working	No	2023	-
12	Karnataka Trustee Company Private Limited	Working	No	2023	-
13	Mangalore Electricity Supply Company Limited	Working	No	2023	-
14	Mysore Paints and Varnish Limited	Working	No	2023	-
15	Rail Infrastructure Development Company (Karnataka) Limited	Working	No	2023	-
16	Science Gallery, Bengaluru	Working	No	2023	-
17	Tadadi Port Limited	Working	No	2023	-
18	Bangalore Bio-innovation Centre	Working	No	2022	1
19	Belagavi Smart City Limited	Working	No	2022	1
20	Bengaluru Solid Waste Management Limited	Working	No	2022	1
21	CBIC Tumakuru Industrial Township Limited	Working	No	2022	1
22	Cauvery Neeravari Nigama Limited	Working	No	2022	1
23	Canara Plastic Forum	Working	No	First accounts not finalised	1
24	D. Devraj Urs Backward Classes Development Corporation Limited	Working	No	2022	1
25	Hubli Dharwad BRTS Company Limited	Working	No	2022	1
26	The Hutti Gold Mines Company Limited	Working	No	2022	1
27	Invest Karnataka Forum	Working	No	2022	1
28	Jungle Lodges and Resorts Limited	Working	No	2022	1
29	Karnataka Antharaganga Micro Irrigation Corporation Limited	Working	No	2022	1
30	Karnataka Arya Vysya Community Development Corporation	Working	No	2022	1
31	Krishna Bhagya Jala NigamLimited	Working	No	2022	1
32	Karnataka State Electronics Development Corporation Limited	Working	No	2022	1
33	Karnataka Food and Civil Supplies Corporation Limited	Working	No	2022	1

Appendix – 4 contd.

Sl. No.	Name of the SPSE	Working Status	Net worth eroded?	Year of last audited financial statements	Pending status (as at 30.09.23)
34	Karnataka Fisheries Development Corporation Limited	Working	No	2022	1
35	Karnataka Neeravari Nigam Limited	Working	No	2022	1
36	Karnataka Power Corporation Limited	Working	No	2022	1
37	Karnataka Public Lands Corporation Limited	Working	No	2022	1
38	Karnataka Power Transmission Corporation Limited	Working	No	2022	1
39	Karnataka Road Development Corporation Limited	Working	No	2022	1
40	Karnataka Renewable Energy Development Limited	Working	No	2022	1
41	Karnataka Rural Infrastructure Development Limited	Working	No	2022	1
42	Karnataka Soaps and Detergents Limited	Working	No	2022	1
43	Karnataka State Forest Industries Corporation Limited	Working	No	2022	1
44	Karnataka Silk Industries Corporation Limited	Working	No	2022	1
45	Karnataka State Industrial Infrastructure and Development Corporation Limited	Working	No	2022	1
46	Karnataka State Minerals Corporation Limited	Working	No	2022	1
47	Karnataka State Mango Development and Marketing Corporation Limited	Working	No	2022	1
48	Karnataka State Seeds Corporation Limited	Working	No	2022	1
49	Karnataka State Small Industries Development Corporation Limited	Working	No	2022	1
50	Karnataka State Textile Infrastructure Development Corporation Limited	Working	No	2022	1
51	Karnataka State Women's Development Corporation	Working	No	2022	1
52	Karnataka Tourism Infrastructure Limited	Working	No	2022	1
53	Karnataka Urban Infrastructure Development and Finance Corporation Limited	Working	No	2022	1
54	Karnataka Vishwakarma Community Development Corporation Limited	Working	No	2022	1
55	Marketing Communication and Advertising Limited	Working	No	2022	1
56	The Mysore Electrical Industries Limited	Working	No	2022	1
57	Mangaluru Smart City Limited	Working	No	2022	1
58	Mysore Sales International Limited	Working	No	2022	1
59	Nijasharana Ambigara Chowdaiah Development Corporation Limited	Working	No	2022	1
60	Power Company of Karnataka Limited	Working	No	2022	1
61	Shiggaon Textile Park	Working	No	First accounts not finalised	1
62	Tumakuru Machine Tool Park	Working	No	2022	1
63	Vishveswaraya Jala Nigam Limited	Working	No	2022	1
64	Food Karnataka Limited	Working	No	2021	2
65	Karnataka Adi Jambava Development Corporation	Working	No	2021	2
66	Karnataka State Agricultural Produce Processing and Export Corporation Limited	Working	No	2021	2

Appendix – 4 contd.

Sl. No.	Name of the SPSE	Working Status	Net worth eroded?	Year of last audited financial statements	Pending status (as at 30.09.23)
67	Karnataka Brahmin Development Board	Working	No	2021	2
68	Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited	Working	No	2021	2
69	Karnataka State Medical Supplies Corporation Limited	Working	No	2021	2
70	Karnataka Thanda Development Corporation Limited	Working	No	2021	2
71	Dr.B.R. Ambedkar Development Corporation Limited	Working	No	2020	3
72	Karnataka Alemari Are-Alamari Development Corporation Limited	Working	No	First accounts not finalised	3
73	Karnataka Bhovi Development Corporation Limited	Working	No	2020	3
74	Karnataka Sheep and Wool Development Corporation Limited	Working	No	2020	3
75	Karnataka State Handicrafts Development Corporation Limited	Working	No	2020	3
76	Karnataka Savitha Samaja Development Corporation Limited	Working	No	2020	3
77	Karnataka State Safai Karmachari Development Corporation Limited	Working	No	2020	3
78	D. Devraj Urs Truck Terminals Limited	Working	No	2019	4
79	Karnataka Minorities Development Corporation Limited	Working	No	2018	5
80	Karnataka State Construction Corporation Limited	Working	No	2018	5
81	Bangalore Airport Rail Link Limited	Non-Working UL	No	2022	1
82	Karnataka Telecom Limited	Non-Working UL	No	2004	19
83	The Mysore Acetate and Chemicals Company Limited	Non-Working UL	No	2003	20
84	Vijayanagar Steel Limited	Non-Working Defunct	No	2022	1
85	Bangalore Suburban Rail Company Limited	Non-Working Defunct	No	First accounts not finalised	8
86	Bangalore Electricity Supply Company Limited	Working	Yes	2023	-
87	Chamundeshwari Electricity Supply Corporation Limited	Working	Yes	2023	-
88	Hubli Electricity Supply Company Limited	Working	Yes	2023	-
89	Karnataka State Pulses Abhivridhi Mandali Limited	Working	Yes	2023	-
90	Shivamogga Smart City Limited	Working	Yes	2023	-
91	Gulbarga Electricity Supply Company Limited	Working	Yes	2022	1
92	Hubballi Dharwad Smart City Limited	Working	Yes	2022	1
93	Karnataka Vidyuth Karkhane Limited	Working	Yes	2022	1
94	Karnataka Compost Development Corporation Limited	Working	Yes	2022	1
95	Karnataka Mining Environment Restoration Corporation Limited	Working	Yes	2022	1
96	KPC Gas Power Corporation Limited	Working	Yes	2022	1
97	Karnataka State Agro Corn Products Limited	Working	Yes	2022	1

Appendix – 4 contd.

Sl. No.	Name of the SPSE	Working Status	Net worth eroded?	Year of last audited financial statements	Pending status (as at 30.09.23)
98	Karnataka State Coir Development Corporation Limited	Working	Yes	2022	1
99	Karnataka Silk Marketing Board Limited	Working	Yes	2022	1
100	Karnataka State Tourism Development Corporation Limited	Working	Yes	2022	1
101	Karnataka Uppara Development Corporation Limited	Working	Yes	2022	1
102	Karnataka Veerashaiva-Lingayath Development Corporation Limited	Working	Yes	2022	1
103	NGEF (Hubli) Limited	Working	Yes	2022	1
104	Rajiv Gandhi Housing Corporation Limited	Working	Yes	2022	1
105	Raichur Power Corporation Limited	Working	Yes	2022	1
106	Tumakuru Smart City Limited	Working	Yes	2022	1
107	Karnataka Handloom Development Corporation Limited	Working	Yes	2020	3
108	Karnataka Madiwala Machideva Development Corporation Limited	Working	Yes	2020	3
109	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited	Working	Yes	2020	3
110	Karnataka Vocational Training and Skill Development Corporation Limited	Working	Yes	2019	4
111	The Mysore Paper Mills Limited	Working	Yes	2015	8
112	Mysore Sugar Company Limited	Working	Yes	2015	8
113	The Karnataka State Veneers Limited	Non-Working UL	Yes	2005	18
114	Mysore Cosmetics Limited	Non-Working UL	Yes	2004	19
115	Karnataka Agro Industries Corporation Limited	Non-Working Defunct	Yes	2023	-
116	The Mysore Chrome Tanning Company Limited	Non-Working Defunct	Yes	2023	-
117	The Mysore Match Company Limited	Non-Working Defunct	Yes	2023	-
118	The Mysore Lamp Works Limited	Non-Working Defunct	Yes	2022	1
119	The Mysore Tobacco Company Limited	Non-Working Defunct	Yes	2022	1
120	Karnataka Pulpwood Limited	Non-Working Defunct	Yes	2021	2
121	NGEF Limited	Non-Working Defunct	Yes	2020	3
Total Arrears					**233**

Appendix – 5

(Referred to in Paragraph 2.5.2)

Details of SPSEs whose financial statements were amended as a result of supplementary audit conducted by CAG.

(₹ in crore)

Sl. No.	Name of SPSE	Year of Certified Accounts	Decrease in loss	Increase in loss	Decrease in Profit	Increase in Profit	Increase in Assets/ Liabilities	Decrease in Assets/ Liabilities
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
1	Bangalore Electricity Supply Company Limited	2022-23	-	125.36	-	-	964.38	-
2	Chamundeshwari Electricity Supply Corporation Limited	2022-23	-	10.66	-	-	10.04	-
3	Gulbarga Electricity Supply Company Limited	2021-22	-	-	-	1.01	-	1.11
4	Hubli Electricity Supply Company Limited	2022-23	-	504.04	-	-	-	818.60
5	Hubli Electricity Supply Company Limited	2021-22	278.22	-	-	-	327.04	-
6	Mangalore Electricity Supply Company Limited	2022-23	-	-	-	4.03	2.42	-
7	Mangalore Electricity Supply Company Limited	2021-22	-	-	4.00	-	7.80	-
8	Jungle Lodges and Resorts Limited	2021-22	-	-	-	0.50	0.18	-
9	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited	2019-20	-	-	-	3.16	17.34	-
10	Nijasharana Ambigara Chowdaiah Development Corporation Limited	2021-22	-	-	-	-	-	-
11	Karnataka State Women's Development Corporation	2021-22	-	-	0.005	-	0.01	-
12	Karnataka Adi Jambava Development Corporation	2020-21	-	-	0.005	-	0.05	-
13	Karnataka Silk Marketing Board Limited	2021-22	-	-	-	-	-	-
Total			**278.22**	**640.06**	**4.01**	**8.70**	**1,329.26**	**819.71**

Appendix – 6

(Referred to in Paragraph 2.5.3)

Details of SPSEs where Statutory Auditors' Report was revised as a result of supplementary audit conducted by CAG.

Sl. No.	Name of SPSE	Year of Certified Accounts
1	**2**	**3**
1	Nijasharana Ambigara Chowdaiah Development Corporation Limited	2021-22
2	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited	2019-20
3	Karnataka State Safai Karmachari Development Corporation Limited	2019-20
4	Karnataka State Women's Development Corporation	2021-22
5	Davanagere Smart City Limited	2022-23
6	Bengaluru Smart City Limited	2022-23
7	Hubli Dharwad BRTS Company Limited	2021-22
8	Bengaluru Solid Waste Management Limited	2021-22
9	Karnataka Urban Infrastructure Development and Finance Corporation Limited	2021-22
10	Karnataka State Beverages Corporation Limited	2022-23
11	Karnataka Forest Development Corporation Limited	2022-23
12	Karnataka State Industrial Infrastructure and Development Corporation Limited	2021-22
13	Rail Infrastructure Development Company (Karnataka) Limited	2022-23
14	Karnataka State Forest Industries Corporation Limited	2020-21
15	Bangalore Electricity Supply Company Limited	2022-23
16	Chamundeshwari Electricity Supply Corporation Limited	2022-23
17	Gulbarga Electricity Supply Company Limited	2021-22
18	Hubli Electricity Supply Company Limited	2022-23
19	Hubli Electricity Supply Company Limited	2021-22
20	Mangalore Electricity Supply Company Limited	2022-23
21	Mangalore Electricity Supply Company Limited	2021-22
22	Karnataka Power Corporation Limited	2021-22
23	KPC Gas Power Corporation Limited	2021-22
24	Raichur Power Corporation Limited	2021-22
25	Power Company of Karnataka Limited	2021-22
26	Karnataka Soaps and Detergents Limited	2021-22
27	Karnataka State Minerals Corporation Limited	2021-22
28	Mysore Sales International Limited	2021-22
29	CBIC Tumakuru Industrial Township Limited	2021-22
30	Marketing Communication and Advertising Limited	2021-22
31	Invest Karnataka Forum	2021-22
32	Karnataka Mining Environment Restoration Corporation Limited	2021-22
33	The Mysore Chrome Tanning Company Limited	2021-22

Appendix – 6 contd.

Sl. No.	Name of SPSE	Year of Certified Accounts
1	**2**	**3**
34	NGEF (Hubli) Limited	2021-22
35	The Mysore Electrical Industries Limited	2021-22
36	The Mysore Lamp Works Limited	2021-22
37	Vijayanagar Steel Limited	2021-22
38	Jungle Lodges and Resorts Limited	2021-22
39	Karnataka State Tourism Development Corporation Limited	2021-22
40	Mysore Paints and Varnish Limited	2022-23
41	Karnataka Sheep and Wool Development Corporation Limited	2019-20
42	Karnataka Sheep and Wool Development Corporation Limited	2018-19
43	Vishveswaraya Jala Nigam Limited	2021-22
44	Karnataka Silk Marketing Board Limited	2021-22
45	Cauvery Neeravari Nigama Limited	2021-22
46	Karnataka State Police Housing and Infrastructure Development Corporation Limited	2022-23
47	Karnataka Agro Industries Corporation Limited	2022-23
48	Karnataka State Mango Development and Marketing Corporation Limited	2021-22

Appendix – 7

(Referred to in Paragraph 2.5.4)

Significant comments of the CAG issued as supplement to the statutory auditors' reports on SPSEs -Comments on Profitability

Sl. No	Name of the Company / Comment
1	**D Devaraj Urs Truck Terminals Limited**
	Statement of Profit and Loss-Expenses **Depreciation and amortization-₹ 12.86 lakh** The above does not include depreciation of ₹ 57.95 lakh in respect of Mysore Truck Project costing ₹288.05 lakh which was commissioned in 2012. Non-accounting of depreciation resulted in overstatement of property, plant and equipment by ₹ 57.95 lakh, understatement of prior period expenditure by ₹ 50.43 lakh, understatement of current year expenditure by ₹ 7.52 lakh and consequent understatement of loss by ₹ 57.95 lakh. Consequently, the same also had an impact on deferred tax to the extent of ₹ 4.24 lakh. Further the diversion of other grants/excess expenditure over grant has not been reconciled /adjusted despite assurance given during the previous year to disclose the same.
2	**Karnataka Food and Civil Supplies Corporation Limited**
	Note No 7- Others- Non current financial assets-₹ 1,31,316.40 lakh **Provision for doubtful advances-₹ 10,976.67 lakh** **Net advance recoverable from Government-₹ 1,30,960.90 lakh** A reference is invited to Note 7.2 wherein it has been stated that Receivable towards MSP operations and supply of sugar through PDS is treated as non-current and full provision for dues outstanding up to F.Y. 2009-10 has been made as final costing sheets have been issued. On test check of detailed schedule, short provision of ₹ 2681.72 lakh has been observed which resulted in understatement of provision for doubtful advances, overstatement of Net advance receivable from Government and Profit before tax by ₹ 2681.72 lakhs. Note No 7- Others- Non current financial assets-₹ 1,31,316.40 lakh Net Other advances- Cost recoverable from Government- ₹ 1,30,960.90 lakh During the year 2020-21, the final settlement of MSP Ragi for the period 2014-15 was completed and the Corporation received an amount of ₹ 2913.70 lakh as against ₹ 3465.74 lakhs receivable as per the books of accounts. The balance amount of ₹ 552.05 lakhs being no longer receivable should be charged to Profit & Loss Account. This has resulted in over statement of cost recoverable from Government and profit for the year by ₹ 552.05 lakh.
3	**Karnataka Power Corporation Limited**
	Statement of Profit and Loss **Expenses – Finance cost – Note 40 – ₹ 2930.56 crore** This does not include ₹ 1.01 crore being interest charges on loan availed from Rural Electrification Corporation Limited for the Renovation & Modernisation (R&M) of Units 1,2&3 at Nagjhari Power House which was accounted under Capital Work in Progress. As per Ind AS 23, an entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset. An entity may incur borrowing costs during an extended period in which it suspends the activities necessary to prepare an asset for its intended use or sale. Such costs are costs of holding partially completed assets and do not qualify for capitalisation. As the R&M works were stopped from 2020-21 and yet to resume, the interest charges on the loan for the period 2020-22 should have been charged off as revenue expenditure instead of capitalizing the same. This resulted in overstatement of the Capital Work in Progress by ₹ 2.14 crore, overstatement of other equity by ₹ 1.13 crore and understatement of the Loss to the extent of ₹ 1.01 crore.
4	**Dr.Babu Jagajivan Ram Leather Industries Development Corporation Limited, Bengaluru**
	Revised Statement of Profit and Loss -Note No.21-Other Income-₹ 965.67 Iakh Reference is invited to Notes 21 Other Income of the revised financial statements for the year ending March 2020 wherein it ·has been mentioned that the Company is following the policy of recognizing 7% of the grants received during the year as income which is utilized towards supervision and maintenance. In this regard, it was seen that despite non-receipt of any Administrative Grants from Government during 2019-20, the company has recorded ₹ 280.00 lakh as Government Grant for Supervision & Maintenance. Consequently, recognising this income of ₹ 280 lakh has resulted in overstatement of other income and understatement of liabilities and consequent understatement of loss for the year by ₹ 280.00 lakh.

Appendix – 8

(Referred to in Paragraph 2.5.4)

Significant comments of the CAG issued as supplement to the statutory auditors' reports on SPSEs -Comments of Financial Position

Sl. No.	Name of the PSU/Comments
1	**Dr.Babu Jagajivan Ram Leather Industries Development Corporation Limited, Bengaluru**
	Balance Sheet (Revised)- Equity and Liabilities **Note No.7-Other Long-Term Liabilities-₹.10665.15 lakh** The above includes ₹.115.08 lakh stated to be amount of grants adjusted against assets capitalised (Samudaya Bhavan and Compound wall at Mandya and Dharwar). All the amounts received towards purchase of specified assets from Government of Karnataka, Government of India, other Government Agencies has been spent for the specified purpose and 'Capital Approach" method as specified in AS -12 "Accounting for Government Grants" have been adopted. However, there were no documents in support of grants received and the cost of the assets created. Consequently, adjustment of grants ₹.115.08 lakh against value of assets and valuation thereof at nominal value of ₹.1 could not be ensured in audit. **Balance Sheet (Revised)- Assets** **Note No.13-Long Term Loans and Advances-₹ 377.77 lakhs.** The above does not include ₹ 690.00 lakh being Advances paid to M/s. Karnataka Residential Educational Institutions Society (KRIES) towards construction of Dr. Babujagajivan Ram Commercial Complex at Chitradurga (₹ 390.00 lakhs) and Dr.Babujagajivan Ram Auditorium at Chitradurga (₹ 300.00 lakh). However, the same is not shown under Advances, which resulted in understatement of Loans and Advances by ₹ 690.00 lakh.
2	**Karnataka Thanda Development Corporation Limited, Bengaluru**
	Balance Sheet-Note No.4-Reserves and Surplus-Capital Reserve- ₹ 90 **Assets-Note No.8 (a)-Tangible Assets-Rs. 407.58 lakh** The Company has capitalized Land for ₹ 20 and Buildings for ₹ 70 and corresponding Balance of Capital Reserve was ₹ 90. As per Company's Accounting Policy on Utilization of Grants- 'The Company transfers the assets constructed/purchased by utilizing the Government Grants except Banjara Bhavan are transferred to Government of Karnataka. Banjara Bhawan are capitalized at nominal value by creating Capital Reserve in the books of accounts.' However, the details of Land (except land at Chitradurga which was received as Gift through Gift Deed) and Buildings capitalized and the Grants against which those were adjusted were not produced for audit. Consequently, the existence of these assets and corresponding Grants received and accounting thereof cannot be ensured.
3	**Karnataka Maharishi Valmiki Schedule Tribes Development Corporation Limited**
	Balance sheet II Assets Current Assets **(C) Other Current Assets (Note 11) ₹ 3,445 Lakh** The company's Board resolved (January 2022) to make provision towards loans and interest thereon which are more than five years old. However, it was observed that a provision of ₹ 690.31 lakh was made towards interest receivables out of which interest on Loans and interest on Margin Money due upto 31.03.2015 (more than 5 years old) was ₹ 87.39 lakh (72.24 +15.15) and should have been provided for as per Board's resolution. However, provision is made for interest dues upto 2020-21 which resulted in overstatement of Provision by ₹ 602.92 lakh (690.31-87.39). This provision was not in accordance with Board Resolution. Consequently, Other Current Assets are understated and provision are overstated to the extent of ₹ 602.92 lakh.
4	**D Devaraj Urs Truck Terminals Limited**
	Non-Current Assets-Fixed Assets-Tangible Assets- ₹ 4490.96 lakh The above included ₹ 40 lakhs towards the cost of 43 acres (174014.98 sq. mtr.) of land allotted by BDA. However, as per the documents furnished to audit, the actual land was 1248.25 sq. mtr. In the absence of details, the correctness of land accounted by the company could not be ensured to that extent.
5	**Karnataka Food and Civil Supplies Corporation Limited**
	Note No.7- Others - Non current financial assets ₹ 1,31,316.40 lakh Net Other advances- Cost recoverable from Government- ₹ 1,30,960.90 lakh It includes ₹ 10456.75 lakhs shown as receivable from the Government of India/ Food Corporation of India in the books of accounts of the Corporation towards incidental expenses and differential cost receivable towards carrying out Open Market Sugar/Levy Sugar operations. Out of the above, claim of ₹ 6760.78 lakh was rejected by Government of India and an amount of ₹ 2333.30 lakh shown as pending claims towards levy sugar. Thus, there is a difference of ₹ 1362.67 lakhs between amount as per records and amount claimed which remain un-reconciled resulting in over statement of cost recoverable from Government.

Appendix – 8 contd.

Sl. No.	Name of the Company / Comments
6	**Karnataka Food and Civil Supplies Corporation Limited**
	Current Assets- Note 13- Other Current Assets- Rs. 15,789.49 lakh **Advance payment to suppliers- Rs. 15,771.77 lakh** This includes ₹ 3,850.85 lakh being advance towards supply of toor dal by NAFED included under Trade Payables (₹ 3311.20 lakh during 2018-19 and ₹ 539.65 lakh during 2019-20) as per the directions of the Government for issue under Public Distribution System. The Company has not accounted the above amount in the books of accounts as purchases and this balance remains unadjusted due to the fact that the purchase price was approved by Government without considering conversion charges and without changing issue price. Non-adjustment of advances pertaining to the transaction resulted in overstatement of Other Current Assets and understatement of Trade Payables by ₹ 3850.85 lakh.
7	**Karnataka Power Corporation Limited**
	Assets **1. Non-current Assets: ₹ 23208.85 crore** As per Para 9 of Ind AS 36 on Impairment of Assets – An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. Despite indications of impairment, the Company failed to assess the impairment loss in the cases detailed below: **(i) Property Plant and Equipment (PPE) – Note 3 – ₹ 10437.77 crore** This includes ₹ 4.66 crore being the carrying cost of de-recognized assets (i) temporary building proposed for dismantling in 2008-09 (₹ 0.27 crore) and (ii) faulty inverters at Solar Power Plants proposed for scrap sales (₹ 4.39 crore) during 2021-22. Though there was already an indication regarding impairment of the aforesaid assets, the Company did not assess the recoverable amount and the consequent impairment loss. **(ii) Financial Assets – Investments – Note 7 – ₹ 2649.59 crore** **Investment in joint ventures** **(a) Raichur Power Corporation Limited – ₹ 2648.29 crore** The above represents investment in the Joint Venture Company M/s Raichur Power Corporation Limited (RPCL). The audited financial statements of M/s RPCL (78% JV Company) for the year ended March 31, 2022 exhibits accumulated loss amounting to ₹ 7088.48 crore (loss for the year ₹ 678.22 crore) and deficit net worth of ₹ 4088.72 crore which is a serious indicator of impairment. Though the Company disclosed vide Note 7 that the carrying value of investment reflects the fair value, in the absence of any documentation in this regard, there was no reasonable assurance as to whether the impairment loss was assessed. **(b) Karnataka EMTA Coal Mines Limited – ₹ 1.30 crore** The above represents investments in the Joint Venture Company – Karnataka EMTA Coal Mines Limited. No operational activities have been carried out by this Company since April 1, 2015 pursuant to an order of Hon'ble Supreme Court of India dated 24 September 2014 towards cancellation of coal blocks due to which the Company is no longer a going concern. As such the investment was impaired and loss was required to be provided for. Non-assessment of impairment loss in all the aforesaid cases is not in compliance to Ind AS 36 due to which the reasonableness of the carrying value of ₹ 2654.25 crore and its consequential impact on the financial results could not be ensured. **2. Property Plant and Equipment (PPE) – Note 3 – ₹ 10437.77 crore** This does not include land costing ₹ 4.34 crore at Tadadi for which lease cum sale agreement was executed and registered (October 2019) between the Company and Karnataka Industrial Area Development Board (KIADB). Non accounting of lease hold land in accordance with Ind AS 116 resulted in overstatement of 'Capital Work In Progress' by ₹ 4.34 crore, understatement of PPE by ₹ 4.23 crore, expenditure being the amortisation cost by ₹ 0.11 crore and consequent understatement of loss to that extent. **3. Capital Work-in-progress (CWIP) – Note 4 – ₹ 2274.13 crore** (i) The above includes preliminary project expenses of ₹ 3.42 crore incurred towards Tadadi Gas project which could not be taken up due to environmental issues and other reasons and hence was required to be provided for. Non provision of the same resulted in overstatement of CWIP, understatement of expenditure and consequent understatement of 'Loss' for the year by ₹ 3.42 crore. (ii) The above does not include the cost of Generator Transformer (250 MVA) valuing ₹ 9.65 crore purchased for installation and commissioning at the Raichur Thermal Power Station. The same was accounted as inventory which is not in order as it was meant for use in a project of the Company and not for resale. This resulted in overstatement of 'inventories' and consequent understatement of CWIP by ₹ 9.65 crore.

Appendix – 8 contd.

Sl. No.	Name of the Company / Comments
	II. Liabilities **Current Liabilities – Other Current Liabilities – Note 32 – ₹ 475.43 crore** **Income Received in Advance – ₹ 448.20 crore** The above represents the additional levy of ₹ 448.20 crore (₹ 110.43 crore: 26% of Company's share and ₹ Rs.337.77 crore: 74% share of the private partner) deposited with Ministry of Coal by the Company during February 2015 and March 2017 respectively. This was in accordance with the Order (September 2014) of the Hon'ble Supreme Court of India for re-allotment of mines at Baranj which were earlier allotted to its joint venture Company Karnataka EMTA Coal Mines Limited (KECML) The Company in February 2015 and in April 2017, raised invoices, for the aforesaid amount of ₹ 448.20 crore, thereby considering it as sale of power on Electricity Supply Companies (ESCOMs), however the amount was not recognised as income on the ground that the same was sub-judice. Instead, the Company accounted the same as receivable from ESCOMs as a Liability – 'Income Received in Advance'. Though the Company accounted the principal amount of ₹ 448.20 crore due from ESCOMs as liabilities without routing it through income, interest of ₹ 290.92 crore on this amount which was receivable from ESCOMs was accounted as income in the Statement of Profit and Loss which is not in order. This resulted in overstatement of 'other income' for the year by ₹ 53.78 crore overstatement of asset and consequent understatement of Loss for the year to that extent. This issue was also commented upon since 2016-17 and remained un-rectified resulting in overstatement of income for 2020-21 (comparative figures), overstatement of asset and consequent overstatement of profit to the extent of ₹ 48.42 crore. Further, the opening balance of other equity and 'current assets' representing the interest income of the previous years' have been overstated by ₹ 188.72 crore.

Appendix – 9

(Referred to in Paragraph 3.1.4)

List of 26 Unlisted Government/Government Controlled Companies

Sl. No.	Name of the Company	Sub-category*	Class*
01	Karnataka Power Corporation Limited (KPCL)	State Govt. Company	Public
02	Karnataka Power Transmission Corporation Limited (KPTCL)	State Govt. Company	Public
03	Bangalore Electricity Supply Company Limited (BESCOM)	State Govt. Company	Public
04	Hubli Electricity Supply Company Limited (HESCOM)	State Govt. Company	Public
05	Mangalore Electricity Supply Company Limited (MESCOM)	State Govt. Company	Public
06	Chamundeshwari Electricity Supply Corporation Limited (CESC)	State Govt. Company	Public
07	Gulbarga Electricity Supply Company Limited (GESCOM)	State Govt. Company	Public
08	Karnataka Soaps and Detergents Limited (KSDL)	State Govt. Company	Public
09	Karnataka State Minerals Corporation Limited (KSMCL)	State Govt. Company	Public
10	The Hutti Gold Mines Company Limited (HGML)	State Govt. Company	Public
11	Mysore Sales International Limited (MSIL)	State Govt. Company	Public
12	Karnataka State Industrial Infrastructure and Development Corporation Limited (KSIIDC)	State Govt. Company	Public
13	Karnataka Road Development Corporation Limited (KRDCL)	State Govt. Company	Public
14	Krishna Bhagya Jala NigamLimited (KBJNL)	State Govt. Company	Public
15	Karnataka Neeravari Nigam Limited (KNNL)	State Govt. Company	Public
16	Cauvery Neeravari Nigama Limited (CNNL)	State Govt. Company	Public
17	Vishveswaraya Jala Nigam Limited (VJNL)	State Govt. Company	Public
18	Karnataka State Electronics Development Corporation Limited (KEONICS)	State Govt. Company	Public
19	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL)	State Govt. Company	Public
20	Karnataka Rural Infrastructure Development Limited (KRIDL)	State Govt. Company	Private
21	D Devaraj Urs Backward Classes Development Corporation Limited (DUBCDCL)	State Govt. Company	Private
22	Raichur Power Corporation Limited (RPCL)	Non-Govt. Company	Public
23	Davanagere Smart City Limited (DSCL)	Non-Govt. Company	Public
24	Belagavi Smart City Limited (BSCL-Belagavi)	Non-Govt. Company	Public
25	Bengaluru Smart City Limited (BSCL-Bengaluru)	Non-Govt. Company	Public
26	CBIC Tumakuru Industrial Township Limited (CBICTumkur)	Non-Govt. Company	Public

*** Compiled from data from MCA portal**

Appendix – 10

(Referred to in Paragraph 3.4.5)

Statement showing number of independent directors attended / absent from Board Meetings

Sl. No.	Name of the Company	No of Board Meetings held during FY 2022-23	No of independent directors who attended all meetings during their tenure	No of independent directors who were absent from Board meetings	Total
1	Karnataka Power Corporation Limited	7	3	0	3
2	Raichur Power Corporation Limited	4	1	1	2
3	Karnataka Power Transmission Corporation Limited	10	1	3	4
4	Bangalore Electricity Supply Company Limited	7	2	1	3
5	Hubli Electricity Supply Company Limited	6	2	0	2
6	Mangalore Electricity Supply Company Limited	7	2	0	2
7	Chamundeshwari Electricity Supply Corporation Limited	7	2	1	3
8	Gulbarga Electricity Supply Company Limited	6	3	2	5
9	Karnataka Soaps and Detergents Limited	4	0	1	1
10	Mysore Sales International Limited	4	1	2	3
11	Krishna Bhagya Jala NigamLimited	5	1	2	3
12	Karnataka Neeravari Nigam Limited	4	1	2	3
13	Cauvery Neeravari Nigama Limited	3	1	2	3
14	Vishveswaraya Jala Nigam Limited	6	1	2	3
15	Davanagere Smart City Limited	3	2	0	2
16	Bengaluru Smart City Limited	4	1	1	2
Total			**24**	**20**	**44**

Appendix – 11

(Referred to in Paragraph 3.4.6)

Statement showing number of independent directors attended / absent from Annual General Meetings

Sl. No	Name of the Company	No of independent directors who attended	No of independent directors who were absent	No of independent directors to whom provisions were not applicable	Total
1	Karnataka Power Corporation Limited	2	0	1	3
2	Raichur Power Corporation Limited	2	0	0	2
3	Karnataka Power Transmission Corporation Limited	2	1	1	4
4	Bangalore Electricity Supply Company Limited	2	1	0	3
5	Hubli Electricity Supply Company Limited	2	0	0	2
6	Mangalore Electricity Supply Company Limited	2	0	0	2
7	Chamundeshwari Electricity Supply Corporation Limited	1	1	1	3
8	Gulbarga Electricity Supply Company Limited	3	2	0	5
9	Karnataka Soaps and Detergents Limited	1	0	0	1
10	Mysore Sales International Limited	1	2	0	3
11	Krishna Bhagya Jala Nigam Limited	2	1	0	4
12	Karnataka Neeravari Nigam Limited	2	1	0	2
13	Cauvery Neeravari Nigama Limited	0	0	3	3
14	Vishveswaraya Jala Nigam Limited	3	0	0	3
15	Davanagere Smart City Limited	2	0	0	2
16	Bengaluru Smart City Limited	1	1	0	2
Total		**28**	**10**	**6**	**44**

Appendix – 12

(Referred to in Paragraph 4.3)

List of SPSEs selected for detailed review of CSR activities undertaken during financial year 2022-23

Sl. No.	Name of the SPSEs	Abbreviations
1	Karnataka Power Corporation Limited	KPCL
2	Karnataka Power Transmission Corporation Limited	KPTCL
3	Mangalore Electricity Supply Company Limited	MESCOM
4	Karnataka Renewable Energy Development Limited	KREDL
5	Karnataka Soaps and Detergents Limited	KSDL
6	The Mysore Electrical Industries Limited	MEI
7	Karnataka Silk Industries Corporation Limited	KSIC
8	Karnataka State Minerals Corporation Limited	KSMCL
9	The Hutti Gold Mines Company Limited	HGML
10	Mysore Paints and Varnish Limited	MPVL
11	Mysore Sales International Limited	MSIL
12	Marketing Communication and Advertising Limited	MCA
13	Karnataka State Seeds Corporation Limited	KSSCL
14	Karnataka State Industrial Infrastructure and Development Corporation Limited	KSIIDC
15	Karnataka Rural Infrastructure Development Limited	KRIDL
16	Karnataka State Police Housing and Infrastructure Development Corporation Limited	KSPHIDCL
17	Rajiv Gandhi Housing Corporation Limited	RGHCL
18	Karnataka State Small Industries Development Corporation Limited	KSSIDC
19	Karnataka State Electronics Development Corporation Limited	KEONICS
20	Karnataka State Beverages Corporation Limited	KSBCL
21	Karnataka Food and Civil Supplies Corporation Limited	KFCSCL
22	CBIC Tumakuru Industrial Township Limited	CBIC Tumkur

Appendix – 13

(Referred to in Paragraph 4.5.1)

Statement of CSR expenditure required, approved and allocated during the financial year 2022-23

(₹ in crore)

Sl. No.	Name of SPSE	Two *per cent* Net profit	Expenditure approved	Actual allocation	Excess / (Shortfall)
1	Karnataka Power Corporation Limited	9.77	9.68	9.68	-0.09
2	Karnataka Power Transmission Corporation Limited	21.41	21.41	21.41	0.00
3	Mangalore Electricity Supply Company Limited	0.16	0.11	0.11	-0.05
4	Karnataka Renewable Energy Development Limited	1.16	1.16	1.16	0.00
5	Karnataka Soaps and Detergents Limited	3.87	3.95	3.95	0.08
6	The Mysore Electrical Industries Limited	0.36	0.36	0.36	0.00
7	Karnataka Silk Industries Corporation Limited	0.92	0.88	0.88	-0.04
8	Karnataka State Minerals Corporation Limited	12.99	9.68	12.99	0.00
9	The Hutti Gold Mines Company Limited	4.20	4.20	4.20	0.00
10	Mysore Paints and Varnish Limited	0.12	0.12	0.12	0.00
11	Mysore Sales International Limited	1.29	0.91	0.91	-0.38
12	Marketing Communication and Advertising Limited	0.37	0.37	0.37	0.00
13	Karnataka State Seeds Corporation Limited	0.11	0.11	0.11	0.00
14	Karnataka State Industrial Infrastructure and Development Corporation Limited	1.15	1.15	1.15	0.00
15	Karnataka Rural Infrastructure Development Limited	6.98	7.32	7.32	0.34
16	Karnataka State Police Housing and Infrastructure Development Corporation Limited	0.27	0.27	0.27	0.00
17	Karnataka State Small Industries Development Corporation Limited	0.32	2.08	2.08	1.76
18	Karnataka State Electronics Development Corporation Limited	0.43	0.48	0.48	0.05
19	Karnataka State Beverages Corporation Limited	1.58	1.58	1.58	0.00
20	Karnataka Food and Civil Supplies Corporation Limited	0.89	0.89	0.89	0.00
21	CBIC Tumakuru Industrial Township Limited	0.20	0.20	0.20	0.00
Total		**68.55**	**66.91**	**70.22**	**1.67**

Appendix – 14

(Referred to in Paragraph 4.5.2)

Statement of variation between CSR expenditure reported and actual expenditure incurred during the financial year 2022-23

(₹ in crore)

Sl. No.	Name of SPSE	Reported CSR expenditure	Actual CSR expenditure	Difference
1	Karnataka Power Corporation Limited	2.49	2.49	0.00
2	Karnataka Power Transmission Corporation Limited	21.41	21.41	0.00
3	Mangalore Electricity Supply Company Limited	0.11	0.11	0.00
4	Karnataka Renewable Energy Development Limited	0.90	0.90	0.00
5	Karnataka Soaps and Detergents Limited	3.95	3.24	**- 0.71**
6	The Mysore Electrical Industries Limited	0.36	0.36	0.00
7	Karnataka Silk Industries Corporation Limited	1.23	0.88	**- 0.35**
8	Karnataka State Minerals Corporation Limited	8.33	4.13	**- 4.20**
9	The Hutti Gold Mines Company Limited	2.27	2.27	0.00
10	Mysore Paints and Varnish Limited	0.15	0.15	0.00
11	Mysore Sales International Limited	0.91	0.91	0.00
12	Marketing Communication and Advertising Limited	0.38	0.38	0.00
13	Karnataka State Seeds Corporation Limited	0.11	0.11	0.00
14	Karnataka State Industrial Infrastructure and Development Corporation Limited	1.15	1.17	**0.02**
15	Karnataka Rural Infrastructure Development Limited	7.32	7.32	0.00
16	Karnataka State Police Housing and Infrastructure Development Corporation Limited	0.12	0.12	0.00
17	Karnataka State Small Industries Development Corporation Limited	2.08	2.08	0.00
18	Karnataka State Electronics Development Corporation Limited	0.43	0.43	0.00
19	Karnataka State Beverages Corporation Limited	0.99	0.99	0.00
20	Karnataka Food and Civil Supplies Corporation Limited	0.77	0.77	0.00
21	CBIC Tumakuru Industrial Township Limited	0.20	0.20	0.00
	Total	**55.66**	**50.42**	**-5.24**

Appendix – 15

(Referred to in Paragraph 5.1)

Detailed list of applicable Indian Accounting Standards (Ind AS) as on 31 March 2023

Sl. No.	Ind AS ref	Description of Ind AS
1	Ind AS 101	First-time adoption of Ind AS
2	Ind AS 102	Share Based payments
3	Ind AS 103	Business Combination
4	Ind AS 104	Insurance Contracts
5	Ind AS 105	Non-Current Assets Held for Sale and Discontinued Operations
6	Ind AS 106	Exploration for and Evaluation of Mineral Resources
7	Ind AS 107	Financial Instruments: Disclosures
8	Ind AS 108	Operating Segments
9	Ind AS 109	Financial Instruments
10	Ind AS 110	Consolidated Financial Statements
11	Ind AS 111	Joint Arrangements
12	Ind AS 112	Disclosure of Interests in Other Entities
13	Ind AS 113	Fair Value Measurement
14	Ind AS 114	Regulatory Deferral Accounts
15	Ind AS 115	Revenue from Contracts with Customers
16	Ind AS 116	Leases
17	Ind AS 1	Presentation of Financial Statements
18	Ind AS 2	Inventories Accounting
19	Ind AS 7	Statement of Cash Flows
20	Ind AS 8	Accounting Policies, Changes in Accounting Estimates and Errors
21	Ind AS 10	Events after Reporting Period
22	Ind AS 12	Income Taxes
23	Ind AS 16	Property, Plant and Equipment
24	Ind AS 19	Employee Benefits
25	Ind AS 20	Accounting for Government Grants and Disclosure of Government Assistance
26	Ind AS 21	The Effects of Changes in Foreign Exchange Rates
27	Ind AS 23	Borrowing Costs
28	Ind AS 24	Related Party Disclosures
29	Ind AS 27	Separate Financial Statements
30	Ind AS 28	Investments in Associates and Joint Ventures
31	Ind AS 29	Financial Reporting in Hyperinflationary Economies
32	Ind AS 32	Financial Instruments: Presentation
33	Ind AS 33	Earnings per Share
34	Ind AS 34	Interim Financial Reporting
35	Ind AS 36	Impairment of Assets
36	Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets
37	Ind AS 38	Intangible Assets
38	Ind AS 40	Investment Property
39	Ind AS 41	Agriculture

Appendix – 16

(Referred to in Paragraph 5.3.2)

List of SPSEs who have adopted Ind AS up to 31 March 2023

Sl. No.	Name of the SPSE		Year of incorporation	Year of first-time adoption	Date of transition	Phase I / Phase II / Voluntary
01	Karnataka Neeravari Nigam Limited	KNNL	Nov-98	2016-17	01-04-2015	Phase I
02	Karnataka Power Corporation Limited	KPCL	Jul-70	2016-17	01-04-2015	Phase I
03	Karnataka Power Transmission Corporation Limited	KPTCL	Jul-99	2016-17	01-04-2015	Phase I
04	Karnataka State Minerals Corporation Limited	KSMCL	May-66	2016-17	01-04-2015	Phase I
05	KPC Gas Power Corporation Limited	KPCGPCL	Apr-96	2016-17	01-04-2015	Phase I
06	Krishna Bhagya Jala Nigam Limited	KBJNL	Apr-94	2016-17	01-04-2015	Phase I
07	Power Company of Karnataka Limited	PCKL	Aug-07	2016-17	01-04-2015	Phase I
08	Raichur Power Corporation Limited	RPCL	Apr-09	2016-17	01-04-2015	Phase I
09	Bangalore Electricity Supply Company Limited	BESCOM	Apr-02	2016-17	01-04-2015	Phase I
10	Cauvery Neeravari Nigama Limited	CNNL	Jun-03	2016-17	01-04-2015	Phase I
11	The Hutti Gold Mines Company Limited	HGML	Jul-47	2016-17	01-04-2015	Phase I
12	Davanagere Smart City Limited	DSCL	May-16	2016-17	Not Applicable	Phase I (First accounts)
13	Vishveswaraya Jala Nigam Limited	VJNL	Jan-17	2016-17	Not Applicable	Phase I (First Accounts)
14	Belagavi Smart City Limited	BSCL (Belagavi)	May-16	2016-17	Not Applicable	Phase I (First Accounts)
15	Gulbarga Electricity Supply Company Limited	GESCOM	Apr-02	2017-18	01-04-2016	Phase II
16	Karnataka Food and Civil Supplies Corporation Limited	KFCSCL	Sep-73	2017-18	01-04-2016	Phase II
17	Karnataka Forest Development Corporation Limited	KFDCL	Jan-71	2017-18	01-04-2016	Phase II
18	Karnataka Renewable Energy Development Limited	KREDL	Mar-96	2017-18	01-04-2016	Phase II
19	Karnataka Rural Infrastructure Development Limited	KRIDL	Aug-74	2017-18	01-04-2016	Phase II
20	Karnataka Soaps and Detergents Limited	KSDL	Feb-85	2017-18	01-04-2016	Phase II
21	Mangalore Electricity Supply Company Limited	MESCOM	Apr-02	2017-18	01-04-2016	Phase II
22	Marketing Communication and Advertising Limited	MCA	Sep-72	2017-18	01-04-2016	Phase II
23	Mysore Sales International Limited	MSIL	Mar-66	2017-18	01-04-2016	Phase II
24	Tumakuru Smart City Limited	TSCL	Feb-17	2017-18	Not Applicable	Phase II (First Accounts)
25	Dr.B.R. Ambedkar Development Corporation Limited	BRADCL	Mar-75	2019-20	01-04-2018	Year in which criteria met
26	Food Karnataka Limited	FKL	Apr-03	2018-19	01-04-2017	Associate of MSIL

Appendix – 16 contd.

Sl. No.	Name of the SPSE		Year of incorporation	Year of first-time adoption	Date of transition	Phase I / Phase II / Voluntary
27	Karnataka Asset Management Company Private Limited	KAMCPL	Apr-88	2018-19	01-04-2017	Associate of KSIIDC
28	Karnataka State Beverages Corporation Limited	KSBCL	Jun-03	2018-19	01-04-2017	Year in which criteria met
29	Karnataka State Industrial Infrastructure and Development Corporation Ltd	KSIIDC	Jul-64	2018-19	01-04-2017	Year in which criteria met
30	Karnataka Trustee Company Private Limited	KTCPL	Apr-88	2018-19	01-04-2017	Associate of KSIIDC
31	Tadadi Port Limited	TPL	May-12	2018-19	01-04-2017	Subsidiary of KSIIDC
32	CBIC Tumakuru Industrial Township Limited	CBIC Tumkur	Nov-18	2021-22	01-04-2020	Year in which criteria met
33	Chamundeshwari Electricity Supply Corporation Limited	CESC	Dec-01	2018-19	01-04-2017	Year in which criteria met

Appendix – 17

(Referred to in Paragraph 5.4.1)

List of SPSEs who have availed optional exemptions at the time of adoption of Ind AS

Sl. No.	No.	Name of the SPSE		Option exercised
Ind AS 16- Property, Plant and Equipment (PPE), Ind AS 38- Intangible Assets and Ind AS 40- Investment Property:				
1	1	Bangalore Electricity Supply Company Limited	BESCOM	Carrying Value
2	2	Karnataka Neeravari Nigam Limited	KNNL	Carrying Value
3	3	Karnataka Power Corporation Limited	KPCL	Carrying Value (except land, valued at fair value)
4	4	Karnataka Power Transmission Corporation Limited	KPTCL	Carrying Value
5	5	Karnataka State Minerals Corporation Limited	KSMCL	Carrying Value
6	6	KPC Gas Power Corporation Limited	KPCGPCL	Carrying Value
7	7	Gulbarga Electricity Supply Company Limited	GESCOM	Carrying Value
8	8	Karnataka Forest Development Corporation Limited	KFDCL	Carrying Value
9	9	Karnataka Renewable Energy Development Limited	KREDL	Carrying Value
10	10	Karnataka Rural Infrastructure Development Limited	KRIDL	Carrying Value
11	11	Karnataka Soaps and Detergents Limited	KSDL	Carrying Value (except land, valued at fair value)
12	12	Chamundeshwari Electricity Supply Corporation Limited	CESC	Carrying Value
13	13	Dr. B.R. Ambedkar Development Corporation Limited	BRADCL	Carrying Value
14	14	Karnataka Asset Management Company Private Limited	KAMCPL	Carrying Value
15	15	Karnataka State Beverages Corporation Limited	KSBCL	Carrying Value
16	16	Karnataka State Industrial Infrastructure and Development Corporation Ltd	KSIIDC	Carrying Value
17	17	Tadadi Port Limited	TPL	Carrying Value
18	18	Mangalore Electricity Supply Company Limited	MESCOM	Carrying Value
Ind AS 17- Lease				
19	1	Karnataka Power Corporation Limited	KPCL	Arrangement existing on Transition date
20	2	KPC Gas Power Corporation Limited	KPCGPCL	Arrangement existing on Transition date
21	3	Karnataka Forest Development Corporation Limited	KFDCL	Arrangement existing on Transition date
22	4	Karnataka Rural Infrastructure Development Limited	KRIDL	Arrangement existing on Transition date
Ind AS 20- Government Grants and disclosure of Government Assistance				
23	1	Bangalore Electricity Supply Company Limited	BESCOM	Prospectively
24	2	Dr.B.R. Ambedkar Development Corporation Limited	BRADCL	Prospectively
Ind AS 21- Long Term Foreign Currency Monetary Items				
25	1	Bangalore Electricity Supply Company Limited	BESCOM	Continue existing policy
Ind AS 27- Separate Financial Statement				
26	1	Bangalore Electricity Supply Company Limited	BESCOM	Caring value as deemed cost
27	2	Karnataka State Minerals Corporation Limited	KSMCL	Caring value as deemed cost
28	3	Karnataka State Industrial Infrastructure and Development Corporation Ltd	KSIIDC	Caring value as deemed cost
29	4	Karnataka Soaps and Detergents Limited	KSDL	Caring value as deemed cost
30	5	Karnataka Power Corporation Limited	KPCL	Caring value as deemed cost

Appendix – 17 contd.

Sl. No.	No.	Name of the SPSE		Option exercised
Ind AS 103- Business Combinations				
31	1	Karnataka Renewable Energy Development Limited	KREDL	Non application for past business combinations
32	2	Karnataka Soaps and Detergents Limited	KSDL	Non application for past business combinations
Ind AS 109- Financial Instruments (Designation of Financial Assets / Investment)				
33	1	Gulbarga Electricity Supply Company Limited	GESCOM	Fair value measurement on transition date
34	2	Karnataka Forest Development Corporation Limited	KFDCL	Fair value measurement on transition date
35	3	Chamundeshwari Electricity Supply Corporation Limited	CESC	Fair value measurement on transition date
36	4	Karnataka Rural Infrastructure Development Limited	KRIDL	Fair value measurement on transition date
Ind AS 109- Financial Instruments (Impairment of financial assets)				
37	1	Karnataka State Industrial Infrastructure and Development Corporation Ltd	KSIIDC	Use of reasonable information / not to undertake search
38	2	Karnataka Rural Infrastructure Development Limited	KRIDL	Use of reasonable information / not to undertake search

Appendix – 18

(Referred to in Paragraph 6.1.5)

Transactions with six Departments/institutions were selected for Audit

Sl. No.	Department	Name of the item	Price/unit for dept	No of units	Total value of procurement	L1 price	Total Amount paid to the vendor
1	BBMP	Tabs	15,721	5,502	86,497,713	14,934	8,21,66,868
2	BBMP	Smart class	5,10,000	79	4,02,90,000	4,84,499	3,82,75,421
3	BBMP	Smart board	9,59,859	10	95,98,592	9,21,464	92,14,648
4	BBMP	CCTV 1	69,91,561	1	69,91,561	66,41,657	66,41,657
5	BBMP	CCTV 2	6,00,950	1	6,00,950	5,70,841	5,70,841
6	BBMP	CCTV 3	99,96,931	4	3,99,90,686	94,97,108	3,78,82,531
7	BBMP	CCTV 4	54,98,411	1	54,98,411	52,23,434	52,23,434
8	BBMP	CCTV 5	1,65,608	3	4,96,824	1,57,447	4,72,340
9	BBMP	CCTV 6	75,00,000	4	3,00,00,000	72,60,354	2,90,39,868
10	BBMP	Laptop 1	49,100	1,583	7,76,50,281	46,762	7,21,99,542
11	BBMP	Laptop 2	49,520	200	99,04,000	46,854	93,70,800
12	BBMP	Laptop 3	59,998	498	2,98,79,004	56,997	2,83,84,506
13	BBMP	Laptop 4	49,100	553	2,71,52,300	46,645	2,93,40,685
14	BBMP	Laptop 5	59,997	830	4,97,97,510	58,197	4,83,03,510
15	BBMP	Laptop 6	59,997	830	4,97,97,510	58,197	4,83,03,510
16	BBMP	Laptop 7	59,995	166	99,59,170	56,997	94,61,502
17	BBMP	Laptop 8	49,505	929	4,59,90,145	47,029	4,21,95,439
18	BBMP	Laptop 9	41,087	390	1,60,24,164	39,854	1,55,43,435
19	BBMP	Laptop 10	49,320	570	2,81,12,663	47,840	2,72,68,784
20	BBMP	Laptop 11	32,214	11	3,54,354	30,600	3,36,600
21	BBMP	Laptop 12	59,997	830	4,97,97,510	58,197	4,83,03,510
22	BBMP	Laptop 13	39,305	15	5,89,693	37,347	5,60,203
23	BBMP	Laptop 14	38,294	54	20,67,879	36,379	19,64,471
24	BBMP	Laptop 15	59,997	948	5,68,77,156	56,997	5,23,32,383
25	BBMP	Oximeter	21,87,300	1	21,87,300	20,77,820	20,77,820
26	MWD	CCTV 1	3,08,000	147	4,06,16,866	2,92,524	5,52,87,036
27	MWD	CCTV 2	3,95,891	1	3,95,891	3,75,250	3,75,250
28	MWD	Computer lab set up	30,25,638	1	30,25,638	28,74,386	28,74,386
29	MWD	Digital class	2,99,720	34	1,01,45,371	2,84,693	96,79,150
30	MWD	Led Street Lights	46,200	888	4,10,25,600	43,890	4,22,74,810
31	MWD	RO 1	1,50,000	214	3,03,00,084	1,45,500	2,95,83,044
32	MWD	RO 2	1,49,919	1,625	24,36,18,375	1,45,552	23,65,60,977
33	MWD	RO 3	1,59,996	1,553	24,84,73,788	1,55,196	23,79,94,494
34	MWD	Smart Class 1	2,95,500	4	11,22,900	2,80,724	96,03,000
35	MWD	Smart Class 2	2,99,720	62	1,85,82,640	2,84,693	1,76,50,403
36	MWD	Smart Class 3	3,00,000	3	8,99,999	2,84,998	53,35,000
37	MWD	Smart Class 4	4,25,000	192	9,79,20,000	4,84,499	9,30,23,948
38	MWD	UPS	6,40,000	31	1,98,40,000	6,08,000	1,88,48,000

Appendix – 18 contd.

Sl. No.	Department	Name of the item	Price/unit for dept	No of units	Total value of procurement	L1 price	Total Amount paid to the vendor
39	TWD	Computer &UPS	3,26,379	1	3,26,379	3,10,059	3,10,059
40	TWD	Computer and accessories 1	1,35,700	1	1,35,700	1,28,915	1,28,915
41	TWD	Computer and accessories 2	14,30,814	2	28,61,628	13,59,273	27,18,546
42	TWD	Computer and accessories 3	32,01,118	10	3,20,11,180	31,05,085	3,10,50,850
43	TWD	Computer and accessories 4	32,39,690	29	9,39,51,010	31,45,329	9,42,74,950
44	TWD	Computer Lab set up 1	18,90,095	14	2,64,61,330	17,95,589	2,51,38,255
45	TWD	Computer Lab set up 2	18,90,095	20	3,78,01,893	17,95,590	3,59,11,792
46	TWD	Computer Lab set up 3	18,90,095	22	4,15,82,066	18,33,392	4,01,26,706
47	TWD	Computer Lab set up 4	24,15,413	40	9,66,16,510	23,42,947	9,37,17,860
48	TWD	Computer Printers	2,63,273	1	2,63,273	2,50,110	250110
49	TWD	Computers	46,000	5	230000	43699	218497
50	TWD	Digital Audio Systems	3,90,000	250	97500010	378300	94575000
51	TWD	Learning TV	5,60,500	321	179920500	543685	176697625
52	TWD	Smart Class	2,59,600	3	778800	246620	739860
53	TWD	UPS & Washing Machine	8,00,066	9	7200600	767546	6907920
54	KTDCL	RO 1	5,99,900	40	23996004	581030	22796200
55	KTDCL	RO 2	11,00,000	99	108900000	1045000	103455000
56	KTDCL	RO 3	11,00,000	191	210100000	1067000	203797000
57	KTDCL	High Mast Lights	3,00,000	100	30000000	291000	29100000
58	DTE	Camera	29,08,796	1	2908796	2771148	2771148
59	DTE	CCTV	96,95,208	1	9695208	9233759	9233759
60	DTE	Computer and accessories 1	95,97,935	1	8730000	9310060	9310060
61	DTE	Computer and accessories 2	52,080	181	9931470	52127	9434986
62	DTE	Hardware	11,59,914	1	1159914	1098981	1098981
63	DTE	Printers & UPS	24,35,257	1	2435257	2313494	2313494
64	DTE	Total station	96,00,000	1	9600000	9120000	9120000
65	FOREST	Camera lens	1,79,890	1	179890	170895	170895

Appendix – 19

(Referred to in Paragraph 6.1.7.3)

Splitting of demand by inviting multiple tenders for the same goods in violation of KTPP Act to avoiding regular open tender process

Sl. No.	GO Date (Supply Order)	Year	Item (Material Procured)	Gross PO Value (₹.)	No. of POs.	PO nos./range	File nos.	GO nos.	Department
1	28-07-2020	2021-22	Laptop	9,66,07,020	10	564 to 573	465 to 466D	29/2020-21	BBMP
2	29-03-2021	2020-21	Smart Class Project	3,82,75,421	7	125 to 131	88, 95 to 99, 105	03/2020-21	
3	24-01-2020	2020-21	Tabs	8,55,03,567	10	15, 16, 18 to 22, 58, 145, 679	82, 476 to 484	87/2019-20	
4	08-10-2020	2020-21	CCTV	5,52,87,036	9	521 to 529	528, 530-537	45/2020-21	Minority Welfare Department
5	01-02-2020	2020-21	LED Street lights	3,96,50,625	5	12 to 12D	535, 538 to 541	52/2019-20	
6	01-02-2020	2019-20	RO Water Purifiers	2,95,83,044	4	130 to 133	570 to 573	50/2019-20	
7	01-06-2019	2019-20	RO Water Purifiers	23,65,60,977	30	133 to 162	ITSR/1/2019-20	160/2019-20	
8	13-01-2020	2020-21	RO Water Purifiers	22,21,86,912	27	543 to 569	422(1) to 422(29)	168/2019-20	
9	15-09-2020	2020-21	Smart Class Solutions	4,55,42,974	8	469,472,473, 475 to 478,480	469,472,474 to 479	375/2020-21	
9	16-09-2020	2020-21	Smart Class Solutions	3,97,28,978	6	470,471,474, 479,481,482	467,469 to 471,473,480	379/2020-21	
10	30-11-2020	2019-20	RO Water Purifiers	4,37,47,000	5	248, 250 to 253	124	674/2020-21	KTDCL
11	10-01-2020	2019-20	RO Water Purifiers	8,46,40,500	9	592 to 598, 600, 602	443A to 443C, 443F to 443J, 443L	1256/2019-20	
12	03-02-2020	2020-21	High Mast Lights	2,91,00,000	4	326 to 328, 337	208 to 211	80/2019-20	
13	16-07-2021	2022-23	Computer and Accessories	3,10,50,850	10	168 to 177	92 to 100, 109	177/2022-23	Tribal Welfare Department
14	16-07-2021	2021-22	Computer and Accessories	9,42,74,950	10	478, 479, 481 to 488	365 to 374	178/2021-22	
15	15-07-2021	2021-22	Computer Lab Set up	9,37,17,860	10	450 to 459	314 to 323	179/2021-22	
16	15-07-2021	2021-22	Digital Audio Systems	9,45,75,000	10	440 to 449	324 to 333	175/2021-22	
17	07-03-2022	2021-22	Learning TV	9,51,44,875	11	18 to 28	606 to 606J	127/2021-22	
18	23-11-2021	2020-21	Learning TV	8,15,52,750	10	684 to 693	542 to 542H	386/2021-22	
				1,54,44,82,335	**195**				

Appendix – 20

(Referred to in Paragraph 6.1.7.4)

Non-IT Equipment Procured by KEONICS

Sl. No.	Description of the Non-IT Equipment procured	Purchase values (₹ in lakh)				
		2019-20	2020-21	2021-22	2022-23	Grand Total
I	**Agriculture Department**					
1	Batteries	159.37	0.00	0.00	0.00	159.37
2	Battery for UPS	134.04	0.00	0.00	0.00	134.04
II	**Backward Classes Welfare Department**					
3	RO Water purifiers	0.00	14.59	109.14	0.00	123.73
4	Solar Lights	0.00	0.00	60.04	0.00	60.04
5	Thernal Body Scanner	0.00	1.35	0.00	0.00	1.35
III	**BBMP**					
6	Medium size incinerator 45 to 50 napkins	47.50	0.00	0.00	0.00	47.50
7	Oximeter & Thermometer	0.00	0.00	20.78	0.00	20.78
8	Sanitary Napkin Burning Machine	92.21	0.00	0.00	0.00	92.21
IV	**Central Redressal Committee Bangalore**					
9	UPS Battery	0.00	2.89	0.00	0.00	2.89
10	Street Light	0.00	30.40	0.00	0.00	30.40
V	**City Central Library, Bangalore**					
11	SPV Home Light	0.00	0.00	32.80	0.00	32.80
VI	**CNNL**					
12	LED lights	242.12	0.00	0.00	0.00	242.12
VII	**CRC**					
13	Heat Pump water heater	0.00	134.51	0.00	0.00	134.51
VIII	**Department of Finance and Economics, Bengaluru**					
14	RO Water purifiers	0.00	13.29	0.00	0.00	13.29
IX	**Department of Public Instructions**					
15	Batteries	0.00	0.00	1.52	0.00	1.52
X	**DHO, Bengaluru Rural**					
16	LED TV	0.00	17.48	0.00	0.00	17.48
XI	**Director (Bhomi & UPOR),**					
17	Air Conditioner	0.00	0.00	3.83	0.00	3.83
XII	**Directorate of Atalji Janasnehi , Bnaglore**					
18	Supply of Ink Bottels	0.00	0.00	32.62	0.00	32.62
XIII	**Education Department**					
19	Air Conditioner	0.00	1.76	0.00	0.00	1.76
20	Batteries & AC	14.88	0.00	0.00	0.00	14.88
21	Binocular	0.00	0.00	0.00	93.27	93.27
22	High Mast Lights	0.00	96.00	0.00	0.00	96.00

Appendix – 20 Contd.

Sl. No.	Description of the Non-IT Equipment procured	Purchase values (₹ in lakh)				
		2019-20	2020-21	2021-22	2022-23	Grand Total
XIV	**Health and Family Welfare Department**					
23	Air Conditioner	21.92	0.00	0.00	0.00	21.92
24	Generator	0.00	30.27	0.00	0.00	30.27
XV	**Kalyana Karnataka Human Resources, Agriculture & Cultural Association**					
25	RO Water purifiers	0.00	0.00	247.51	0.00	247.51
XVI	**Karnataka Safai Karmachari Development Corporation ltd**					
26	Solar Lights	0.00	0.00	284.91	0.00	284.91
27	High Mast Lights	0.00	0.00	95.00	0.00	95.00
XVII	**KNNL**					
28	RO Water purifiers	0.00	91.20	0.00	0.00	91.20
XVIII	**KREIS**					
29	Chapathi Making Machine	0.00	0.00	946.35	0.00	946.35
30	Napkins Burners & Others	0.00	15.50	0.00	0.00	15.50
XIX	**KRS**					
31	LED Flood Lights	0.00	508.88	0.00	0.00	508.88
XX	**KSMC Ltd**					
32	RO Water purifiers	0.00	9.70	19.40	0.00	29.10
XXI	**KTDCL**					
33	High Mast Lights	394.86	344.26	4.75	0.00	743.87
34	RO Water purifiers	4,425.69	0.00	0.00	0.00	4,425.69
XXII	**Minority Welfare Department**					
35	Chapathi Making Machine	0.00	298.75	0.00	0.00	298.75
36	Chillers	0.00	129.24	0.00	0.00	129.24
37	Heat Pump water heater	0.00	90.28	0.00	0.00	90.28
38	High Mast Lights	0.00	0.00	4.75	285.00	289.75
39	LED Street lights	0.00	388.87	0.00	0.00	388.87
40	RO Water purifiers	4,715.54	304.95	0.00	0.00	5,020.49
41	Washing machine	1,451.98	0.00	0.00	0.00	1,451.98
XXIII	**Police Department**					
42	Batteries	5.65	0.00	0.00	0.00	5.65
43	Floor Cleaning Machine	0.00	2.10	0.00	0.00	2.10
44	LED Street light	0.00	0.00	0.00	81.70	81.70
XXIV	**PR & RD**					
45	High Mast Lights	37.34	18.41	26.53	0.00	82.28
46	LED Display & High Mast Lights	0.00	0.00	23.73	0.00	23.73
47	LED lights	34.48	0.00	0.00	0.00	34.48
48	Solar Lights	0.00	11.10	171.02	15.75	197.87
49	Supply of 100W LED Light with Fixture	0.00	2.92	0.00	0.00	2.92
50	Supply of 150 Watts LED Flood light	36.39	0.00	0.00	0.00	36.39

Appendix – 20 Contd.

Sl No	Description of the Non-IT Equipment procured	Purchase values (₹ in lakh)				
		2019-20	2020-21	2021-22	2022-23	Grand Total
XXV	**Prisons**					
51	Air Conditioner	17.72	0.00	0.00	0.00	17.72
XXVI	**Revenue Department**					
52	High Mast Lights	0.00	644.07	1,334.00	191	2,169.07
53	RO Water purifiers	0.00	411.35	157.14	0.00	568.49
54	Solar Lights	0.00	0.00	720.49	96.00	816.49
XXVII	**Social Welfare Department**					
55	Batteries	0.00	5.00	0.00	0.00	5.00
56	Chapathi Making Machine	852.52	18.22	938.84	0.00	1,809.58
57	Contactless Sanitizer Dispenser	0.00	0.00	0.36	0.00	0.36
58	High Mast Lights	3.79	0.00	3.96	116.03	123.78
59	Refrigarator	0.00	3.71	0.00	0.00	3.71
60	RO Water purifiers	0.00	51.43	84.35	3.07	138.85
61	Sanitiser	0.00	0.00	0.00	4.49	4.49
62	Solar Lights	0.00	0.00	0.78	290.98	291.76
63	Washing machine	0.00	5.21	0.00	0.00	5.21
XXVIII	**Tribal Welfare Department**					
64	Chapathi Making Machine	0.00	0.00	684.98	0.00	684.98
65	High Mast Lights	0.00	0.00	92.91	0.00	92.91
66	RO Water purifiers	0.00	0.00	22.98	0.00	22.98
67	Solar Lights	0.00	0.00	388.00	0.00	388.00
68	Washing machine	0.00	0.00	932.99	0.00	932.99
	UDD					
69	Napkins Burners	27.75	9.51	0.00	0.00	37.26
70	Solar Lights	0.00	0.00	0.00	2.82	2.82
XXIX	**VIST, Nrupathunga Road, bengaluru**					
71	Solar Lights	0.00	14.21	0.00	0.00	14.21
XXX	**Women and Child Welfare Department**					
72	Gas Safety Devices	136.11	0.00	0.00	0.00	136.11
73	Women Child Welfare, Gangavathi	0.00	0.00	0.00	0.00	0.00
74	Air Conditioner	0.00	3.80	0.00	0.00	3.80
XXXI	**Youth Empowerment & Sports Department**					
75	Solar Lights	0.00	30.00	0.00	0.00	30.00
76	Swimming Pool Equipments	190.12	0.00	0.00	0.00	190.12
77	Zilla Panchayath Bangalore Rural	0.00	0.00	0.00	0.00	0.00
78	SPV Lights & Other Equipments	0.00	0.00	9.42	0.00	9.42
XXXII	**ZP**					
79	Automatic LED Street Light	0.00	0.00	9.50	0.00	9.50
80	High Mast Lights	0.00	0.00	19	32.93	51.93
81	Solar Lights	0.00	11.97	0.00	0.00	11.97
82	Weighing machine	0.00	0.00	0.00	10.06	10.06
	Grand Total	13,041.98	3,767.18	7,484.38	1,223.10	**25,516.64**

Appendix – 21

(Referred to in Paragraph 6.1.7.5)

Categorization of Startup Companies to higher category and entrustment of work more than eligibility

Sl. No.	Vendors Name arranged	Year	Categorised as	Being Startup company required to be Categorised as A with limit on execution of order upto (₹. in lakh)	No of Supply orders	Sanction order split into no of POS	Eligible Business (₹ in lakh)	Purchase Order Value (₹ in lakh)	Excess (PO value less Eligible) (₹ in lakh)
1	Alpstech Innovations Pvt. Ltd, (Startup)	2020-21	A upto 28.11.2020 & B from 29.11.2020	30.00	3	14	90.00	882.93	792.93
2	ANP Abhyas Pvt. Ltd (Startup)	2021-22	A	30.00	1	7	30.00	382.75	352.75
		2022-23	B	100.00	1	2	100.00	169.70	69.70
3	Hema Applied Sciences & Technology (startup)	2020-21	A	30.00	3	7	90.00	326.42	236.42
4	Mythinit Technology Pvt. Ltd (Startup)	2020-21	B	30.00	1	1	30.00	94.35	64.35
		2021-22	B	30.00	1	5	30.00	483.04	453.04
5	Newgene Security Solutions LLP (Startup)	2019-20	B	30.00	1	2	30.00	56.79	26.79
		2020-21	B	30.00	10	27	300.00	2,394.92	2,094.92
		2021-22	C	30.00	7	27	210.00	2,282.05	2,072.05
Total							**910.00**	**7,072.95**	**6,162.95**

Appendix – 22

(Referred to in Paragraph 6.1.7.5)

Entrustment of Business though not in Line of Activity

Sl. No.	Name of the Vendor / Business Associate	Line of Activity as per MSME	Tendered and Purchase order issued
1	Adithi Infotech	Repair of electrical equipment, Construction of Building, Activities relating to alteration, addition, repair, engineering projects	Computer & Accessories, Laptop, Consultancy charges, Smart Class Solutions, High Mast Lights, Audit and Valuation Software, CCTV, LED Lights
2	Alpstech Innovations Pvt. Ltd,	Manufacture of computers and peripheral equipment	CCTV Systems and Solar Roof Top Systems
3	ANP Abhyas Pvt. Ltd	Computer consultancy and computer facilities management activities, software installation etc.	Smart Class Project, Smart Board
4	Hema Applied Sciences & Technology	Providing software support and maintenance to the clients, Research and experimental development on natural sciences and engineering	Computer & Accessories, Laptop, CCTV
5	Mythinit Technologies Pvt. Ltd,	Manufacture of other electrical equipment, writing, testing of computer program, computer consultancy and computer facilities management etc.,	Computer, Laptop
6	Newgene Security Solutions LLP,	Manufacture of power generators, motor generator sets, primary cells and batteries, telecommunications activities, computer consultancy and facilities management	Chapathi Making Machine, RO Water Purifier, CCTV, Chillers, Smart Class Solutions, High Mast Lights, Bio-Metric, Tablet PCs, Total Station, Computer & Accessories
7	Paramdham Enterprises Pvt. Ltd	Manufacture of other electrical equipment, display components, other special purpose machinery	LED Flood Lights, 5 KW off-Grid Solar Power Plant and RO Water purifiers
8	Prerana Enterprises	Other civil engineering project	Computer & Accessories, Audio-System, RO, Pendrive, Micro - Processor Controlled 500LPH RO Water Purifier, Computer Lab setup and Micro-processor Controlled Washing Machine
9	Prestige Enterprises	Manufacture of fabricated metal products, Computers and peripheral equipment, electrical equipment etc., other furniture, Construction of building	RO Water purifier, High Mast Lights, UPS & accessories
10	Sinchu Infotech	Basic telecom services telephone telex computer consultancy and computer facilities activities etc.,	Computer & Accessories, Air Conditioner, CCTV System, Laptops, Printer, Sanitary Napkin Burning Machine, EPABX, Biometric, UPS & accessories, RO Water Purifier
11	Shambhav Enterprises	Installation of Industrial Machinery Equipment	Computer & accessories, Laptop and Lab Equipment's
12	SKR Infrastructure	Other information technology and computer service activities	Chapathi making Machine, washing machine, Smart class solutions and Learning TV
13	SRKS Enterprises	---	Desktop Computer, RO Water Purifiers, High Mast Lights, CCTV

Appendix – 22 contd.

Sl. No.	Name of the Vendor / Business Associate	Line of Activity as per MSME	Tendered and Purchase order issued
14	Project Communications	Manufacture of medicinal substances used in the manufacture of pharmaceuticals: antibiotics, endocrine products, basic vitamins; opium derivatives; sulpha drugs; serums and plasmas; salicylic acid, its salts and esters; glycosides and vegetable alkaloids; chemically pure sugar etc. Manufacture of Computers and peripheral equipment, other communication equipment's, electrical equipment etc.,	Thermal Scanner, Digital Class room, XD Professional JET Power Washer, Digital voice recorder, Bio-Metric System, Audio System Computer Lab Set up, Computer & Accessories, Audio-System, Smart Class and Micro-processor Controlled Washing Machine
15	SVL Trading Corporation	Solar products, Solar RO purifier etc.,	Heat Pump water heater and LED Street lights

Appendix – 23

(Referred to in Paragraph 6.1.7.6)

Items procured at Inflated rates

Sl. No.	Dept.	Item	PO no.	File no.	Financial Year	Rate per unit accepted by Department (₹)	Market rate per unit (₹)	Excess per unit (₹)	No. of POs	Units	Amount (Total Excess) (₹)
1	TWD	Computer Lab Setup (Type I)	450 to 459	314 to 323	2021-22	24,15,410	7,37,111	16,78,299	10	40	6,71,31,960
2	TWD	Computer Lab Setup (Type II)	347 to 355 (2021-22), 189 to 193 (2022-23)	252 to 260 (2021-22), 149 to 153 (2022-23)	2021-22, 2022-23	18,90,095	8,26,791	10,63,304	14	56	5,95,45,024
3	TWD	Digital Audio System	440 to 449	324 to 333	2021-22	3,90,000	1,95,909	1,94,091	10	250	4,85,22,750
4	TWD	Computer and Accessories (Type I)	478 to 481, 483 to 487, 489, 493 (2021-22)	365 to 374 (2021-22)	2021-22	32,39,690	10,68,825	21,70,865	10	29	6,29,55,085
5	TWD	Computer and Accessories (Type II)	168 to 177 (2022-23)	92 to 100, 109 (2022-23)	2022-23	32,01,118	11,19,199	20,81,919	10	10	2,08,19,190
6	TWD	Learning TV	684 to 688, 690 to 693 (2021-22), 18 to 28 (2022-23)	542 to 542H (2021-22), 606 to 606J (2022-23)	2022-23	5,60,500	1,00,000	4,60,500	20	314	14,45,97,000
7	MWD	Smart Class Solution (Type I)	125 to 131, 469 to 482	88, 95 to 99, 105, 467 to 480	2020-21	5,10,001	2,55,555	2,54,446	21	192	4,88,53,632
8	MWD	Smart Class Solution (Type II)	163, 165, 167-169, 174-177, 178, 225, 229, 230, 240	136, 137, 139, 141 to 145, 147 to 149, 188, 195 to 197, 222	2022-23	2,99,720	1,20,060	1,79,660	16	60	1,07,79,600
9	BBMP	Smart Board - Educational Content	125 to 131	88, 95 to 99, 105	2021-22	5,10,000	3,01,147	2,08,853	7	79	1,64,99,387
Total											**47,97,03,436**

Appendix – 23 contd.

Items procured at inflated rate

Sl. No.	Item and Department	Sub items	Rate paid at (₹)	Rate (Market Price) (₹)	Source of price
1	**Computer Lab Set Up- Type I (Tribal Welfare Department)**	Desktop (18.5" Monitor, 4GB RAM, 1TB Hard Drive, Pentium Processor, Windows 10 Home Edition, Wi-Fi enabled)	7,84,700	2,90,860	MRP on box
		Wi-Fi Router Multiple Antenna	11,398	1,990	MRP on box
		CCTV and Monitor - Reputed Brands	6,72,600	53,454	KEONICS rate
		Chairs (Any Reputed Brands)	73,040	27,990	Internet
		Computer Table	1,34,520	59,990	Internet
		UPS 5KVA & Battery - Reputed Brands	2,07,503	76,000	Internet
		Anti-Virus (AVAST / Quick Heal McAfee / Norton / Good One)	76,700	6,960	Internet
		Software's (MS Office 13)	2,74,940	79,990	Internet
		Installation Charges & Commissioning Charges	22,420	22,420	(No change)
		Transportation Charges	16,815	16,815	(No change)
		Internet Connection - 1 Year	12,331	12,331	(No change)
		Projector with Screen	1,00,418	60,286	MRP on box
		Lab Cleaning and other works (Room Painting and Floor Mats 8MM thickness Used in Corporate Field)	28,025	28,025	(No change)
			24,15,410	**7,37,111**	
	Difference:	**₹ 16,78,299**			
	Quantity:	**40**			
	Total Financial Implication:	**₹ 6,71,31,960**			
2	**Computer Lab Set Up -Type II (Tribal Welfare Department)**	Desktop (18.5" Monitor, 4GB RAM, 1TB Hard Drive, Pentium Processor, Windows 10 Home Edition, Wi-Fi enabled)	7,84,700	2,90,860	MRP on box
		Wi-Fi Router Multiple Antenna	11,771	1,990	MRP on box
		CCTV and Monitor - Reputed Brands	1,12,100	53,454	KEONICS rate
		Chairs (Any Reputed Brands)	72,865	27,990	Internet
		Computer Table	1,34,520	59,990	Internet
		UPS & Battery - Reputed Brands	2,07,385	76,000	Internet
		Anti-Virus (AVAST / Quick Heal McAfee / Norton / Good One)	72,865	6,960	Internet
		Software's (MS Office 13)	2,24,200	79,990	Internet
		Electrical cables and labour	72,865	72,865	No change
		Transportation Charges	16,815	16,815	No change
		Internet Connection - 1 Year	12,331	12,331	No change
		Projector with Screen	1,00,418	60,286	MRP on box

Appendix – 23 contd.

Sl. No.	Item and Department	Sub items	Rate paid at (₹)	Rate (Market Price) (₹)	Source of price
		Connector and accessories	16,815	16,815	No change
		Installation Charges & Labor	22,420	22,420	No change
		Lab cleaning and other works	28,025	28,025	No change
			18,90,095	**8,26,791**	
	Difference:	**₹ 10,63,304**			
	Quantity:	**56**			
	Total Financial Implication:	**₹ 5,95,45,024**			
3	**Digital Audio System (Tribal Welfare Department)**	Amplifier with Power Surge - Reputed Brand as per Specifications	63,720	3,799	Internet
		Microphones as per specifications	56,640	3,600	Internet
		Rack and accessories suitable for the above	14,160	14,160	No change
		UPS and Batteries reputed brand as per specifications	29,500	29,500	No change
		Speakers as per specifications	1,34,530	53,400	MRP on box
		Installation & Commissioning Charges	74,635	74,635	No change
		Transportation Charges	16,815	16,815	No change
			3,90,000	**1,95,909**	
	Difference:	**₹ 1,94,091**			
	Quantity:	**250**			
	Total Financial Implication:	**₹ 4,85,22,750**			
4	**Computer and Accessories-Type I (Tribal Welfare Department)**	Desktop (18.5" Monitor, 4GB RAM, 1TB Hard Drive, Pentium Processor, Windows 10 Home Edition, Wi-Fi enabled)	7,84,700	2,90,860	MRP on box
		Wi-Fi Router Multiple Antenna	11,399	1,990	MRP on box
		CCTV(Hikvision) 6Nos And Monitor & Accessories.	6,72,600	53,454	Rate quoted by KEONICS in other PO
		Chairs (Any Reputed Brands)	73,042	27,990	Internet
		Computer Table	1,34,520	59,990	Internet
		UPS & Battery - Reputed Brands	2,07,503	76,000	Internet
		Anti-Virus (AVAST / Quick Heal McAfee / Norton / Good One)	76,700	6,960	Internet
		Textbook Conversion to PDF to Projection	2,89,100	2,89,100	No change
		Softwares (MS Office 13, English Grammer and basic Educational Softwares)	2,74,940	79,990	Internet
		Installation Charges & Labour Charges	72,794	22,420	Rate quoted by KEONICS in other PO
		Transportation Charges	16,815	16,815	No change
		Internet Connection - 1 Year	12,331	12,331	No change

Appendix – 23 contd.

Sl. No.	Item and Department	Sub items	Rate paid at (₹)	Rate (Market Price) (₹)	Source of price
		All in one Box Projector, Smart Software	4,42,500	60,826	MRP on box (Smart software not provided)
		Podium for Teachers	1,05,020	34,024	PO 533/2021-22
		Speaker with Mic	37,701	8,050	Internet
		Lab Cleaning and other works (Room Painting and Floor Mats 8MM thickness Used in Corporate Field)	28,025	28,025	No change
			32,39,690	**10,68,825**	
	Difference:	**₹ 21,70,865.00**			
	Quantity:	**29**			
	Total Financial Implication:	**₹ 6,29,55,085**			
5	**Computer and Accessories-Type II (Tribal Welfare Department)**	Desktop (18.5" Monitor, 4GB RAM, 1TB Hard Drive, Pentium Processor, Windows 10 Home Edition, Wi-Fi enabled)	7,84,700	2,90,860	MRP on box
		Wi-Fi Router Multiple Antenna	11,399	1,990	MRP on box
		CCTV(Hikvision) 6Nos And Monitor & Accessories.	6,72,600	53,454	Rate quoted by KEONICS in other PO
		Chairs (Any Reputed Brands)	73,042	27,990	Internet
		Computer Table	1,34,520	59,990	Internet
		UPS & Battery - Reputed Brands	2,07,503	76,000	Internet
		Anti-Virus (AVAST / Quick Heal McAfee / Norton / Good One)	76,700	6,960	Internet
		Textbook Conversion to PDF to Projection	2,89,100	2,89,100	No change
		Softwares (MS Office 13, English Grammer and basic Educational Softwares)	2,74,940	79,990	Internet
		Installation Charges & Labour Charges	72,794	72,794	Rate quoted by KEONICS in other PO
		Transportation Charges	16,815	16,815	No change
		Internet Connection - 1 Year	12,331	12,331	No change
		All in one Box Projector, Smart Software	4,42,500	60,826	MRP on box (Smart software not provided)
		Podium for Teachers	66,448	34,024	PO 533/2021-22
		Speaker with Mic	37,701	8,050	Internet
		Lab Cleaning and other works (Room Painting and Floor Mats 8MM thickness Used in Corporate Field)	28,025	28,025	No change
			32,01,118	**11,19,199**	

Appendix – 23 contd.

Sl. No.	Item and Department	Sub items	Rate paid at (₹)	Market Rate (₹)	Source of price
	Difference:	**₹ 20,81,919**			
	Quantity:	**10**			
	Total Financial Implication:	**₹ 2,08,19,190**			
6	**Learning TV (Tribal Welfare Department)**	Learning TV with Android Box Interactive Display,75", Antiglare LCD Module, HDMI Supported & Smart with Wi-fi Internal Speaker, Android box 4K with 2GB RAM, 16GB ROM & 64 Bit Processor loaded with both android & Windows, operating mouse Standard, UPS Capacity 1KVA, HDMI Cable length 2 meters, TV Mount Standard	5,60,500	1,00,000	Internet
	Difference:	**₹ 4,60,500**			
	Quantity:	**314**			
	Total Financial Implication:	**₹ 14,45,97,000**			
7	**Smart Class Solution -Type I (Minority Welfare Department)**	Interactive Display board 65 inch	2,79,660	1,00,000	Internet
		Android Box	1,18,000	1,18,000	No change
		UPS, 1KVA	23,600	23,600	No change
		Learning Tablet 7 inch Lenovo	87,785	12,999	MRP on Box
		Operating Mouse	956	956	No change
			5,10,001	**2,55,555**	
	Difference:	**₹ 2,54,446**			
	Quantity:	**192**			
	Total Financial Implication:	**₹ 4,88,53,632**			
8	**Smart Class Solution - Type II (Minority Welfare Department)**	Interactive Display board 65 inch	2,79,660	1,00,000	Internet
		UPS, 1KVA	14,160	14,160	No change
		Transportation and installation	5,900	5,900	No change
			2,99,720	**1,20,060**	
	Difference:	**₹ 1,79,660**			
	Quantity:	**60**			
	Total Financial Implication:	**₹ 1,07,79,600**			
9	**Smart Class Project (BBMP)**	Educational content	2,50,000	41,147	KD from BBMP
		Other sub-items	2,60,000	2,60,000	No change
			5,10,000	**3,01,147**	
	Difference:	**₹ 2,08,853**			
	Quantity:	**79**			
	Total Financial Implication:	**₹ 1,64,99,387**			

Appendix – 24

(Referred to in Paragraph 6.1.10)

Details of purchase orders, where the third-party inspections were conducted on the same day at different places by the same person

Sl. No.	Department	Name of Material	Purchase Order No.	File number	3rd party inspected by (name/agency)	3rd party inspection date	3rd party inspection place	Purchase order value
1.	TWD	Computer Lab set up	453	315	MALLIKARJUNA.N	25-08-2021	Bellary, Udupi, Chikkamagaluru, Kodagu, Davangere, Shivamogga, Mysuru, Yadgir, Haveri, Bengaluru Urban, Bengaluru Rural, Kolar, Tumkuru, Bijapur, Bagalkote, Uttar Kannada, Dharwad, Gadag	93,71,786
2.	TWD	Digital Audio Systems	443	327	MALLIKARJUNA.N			94,57,500
3.	TWD	Digital Audio Systems	445	325	MALLIKARJUNA.N			94,57,500
4.	TWD	Digital Audio Systems	448	328	MALLIKARJUNA.N			94,57,500
5.	TWD	Digital Audio Systems	449	330	MALLIKARJUNA.N			94,57,500
6.	TWD	Computer and accessories	482	371	MALLIKARJUNA.N	26-08-2021	Mysuru, Bellary	94,27,495
7.	TWD	Computer Lab set up	455	323	MALLIKARJUNA.N			93,71,786
8.	TWD	Computer Lab set up	450	322	MALLIKARJUNA.N			93,71,786
9.	TWD	Computer and accessories	481	369	MALLIKARJUNA.N	28-08-2021	Mysuru, Haveri, Raichur, HD Kote, Hunsuru	94,27,495
10.	TWD	Computer and accessories	487	365	MALLIKARJUNA.N			94,27,495
11.	TWD	Computer and accessories	479	366	MALLIKARJUNA.N			94,27,495
12.	TWD	Computer and accessories	478	368	MALLIKARJUNA.N			94,27,495
13.	TWD	Computer Lab set up	456	320	MALLIKARJUNA.N			93,71,786
14.	TWD	Computer and accessories	483	367	MALLIKARJUNA.N	30-08-2021	Mysuru, Chitradurga, Davangere, Tumkuru, Raichur, Koppal, Bellary, Chamarajanagara, Kodagu.	94,27,495
15.	TWD	Computer and accessories	484	373	MALLIKARJUNA.N			94,27,495
16.	TWD	Computer and accessories	486	370	MALLIKARJUNA.N			94,27,495

Appendix – 24 contd.

Sl. No.	Department	Name of Material	Purchase Order No.	File number	3rd party inspected by (name/agency)	3rd party inspection date	3rd party inspection place	Purchase order value
17.	TWD	Computer Lab set up	458	316	MALLIKARJUNA.N			93,71,786
18.	TWD	Digital Audio Systems	441	326	MALLIKARJUNA.N			94,57,500
19.	TWD	Digital Audio Systems	442	324	MALLIKARJUNA.N			94,57,500
20.	TWD	Digital Audio Systems	440	331	MALLIKARJUNA.N			94,57,500
21.	TWD	Digital Audio Systems	444	333	MALLIKARJUNA.N			94,57,500
22.	TWD	Digital Audio Systems	446	332	MALLIKARJUNA.N			94,57,500
23.	TWD	Computer Lab set up	457	314	MALLIKARJUNA.N			93,71,786
24.	TWD	Learning TV	690	542E	DPAR	13-01-2022	Madikeri, Dakshina Kannada, Chikkamagaluru, Bellary, Koppal, Belgaum, Haveri, Bijapur, Gadag, Raichur	86,98,960
25.	TWD	Learning TV	691	542F	DPAR			86,98,960
26.	TWD	Learning TV	689	542C	DPAR			38,05,795
27.	TWD	Learning TV	688	542H	DPAR			86,98,960
28.	TWD	Learning TV	685	542(G)	DPAR	14-01-2022	Chikkamangluru, Udupi, Belagavi, Dakshina Kannada, Uttara Kannada Mysore, HD kotte, P.patna, Somavaripete, Hunsuru, Chikkabalapur, Tumkuru, Davangere, Shivamogga.	92,42,645
29.	TWD	Learning TV	687	542	DPAR			86,98,960
30.	TWD	Learning TV	693	542(D)	DPAR			86,98,960
31.	TWD	Learning TV	686	542(B)	DPAR			86,98,960
32.	TWD	Learning TV	684	542(A)	DPAR			76,11,590
							TOTAL	**28,96,21,966**

Appendix – 24A

(Referred to in Paragraph 6.1.11)

Payment made on the forged TPV reports

Sl. No.	Purchase Order No.	No. of items	Item	Procuring Entity	Vendor	KEONICS bill (₹)	Vendor Bill (₹)
1	12	123	**Automatic Smart Controller & Motion sensored Street light**	**Minority Welfare Department**	**SVL Trading Corporation**	56,82,600	53,98,470
2	012A	194				56,82,600	53,98,470
3	012B	212				97,94,400	93,04,680
4	012C	123				56,82,600	53,98,470
5	012D	206				95,17,200	90,41,340
6	160	20	**Semi-automatic Chapathi maker**	**Minority Welfare Department**	**Newgene Security Solutions LLP**	76,70,000	72,86,500
7	161	20				76,70,000	72,86,500
8	162	22				84,37,000	80,15,150
9	163	20				76,70,000	72,86,500
10	179	34	**Chillers**	**Minority Welfare Department**		66,07,900	62,77,456
11	180	36				69,96,600	66,46,718
12	131	40	**RO**	**Minority Welfare Department**		60,00,017	57,00,014
13	130	54				81,00,023	76,95,018
14	132	65				96,00,026	91,20,025
15	189	5	**Computer lab setup**	**Tribal Welfare Department**	**Sri Mathru Shakthi Solutions pvt ltd**	94,50,475	91,19,706
16	192	5				94,50,475	91,19,706
	Gross Total					**12,40,11,916**	**11,80,94,723**

Appendix – 25

(Referred to in Paragraph 6.1.12)

Details of purchase order where the third-party verifications were conducted on or before delivery of the goods

Sl. No.	Department	Name of Material	Purchase Order No.	File number	3rd party inspected by (name/agency)	3rd party inspection date	Delivery challan date	Purchase Order Value
1	MWD	LED Streetlights	12	539	MALLIKARJUNA.N	18-08-2020	21-08-2020	5398470
2	TWD	Learning TV	18	606J	DPAR, Vaishnavi	04-07-2022	14-07-2022	8698960
3	TWD	Learning TV	23	606I	DPAR, Vaishnavi	04-07-2022	18-07-2022	8698960
4	TWD	Computer Lab set up	450	322	Mallikarjuna	26-08-2021	29-08-2021	9371786
5	MWD	Smart Class	470	471	MALLIKARJUNA.N	28-10-2020	22-09-2021	4844997
6	MWD	Smart Class	471	474	MALLIKARJUNA.N	18-10-2020	22-12-2020	8720995
7	MWD	Smart Class	472	473	MALLIKARJUNA.N	04-11-2020	13-09-2021	6782996
8	MWD	Smart Class	475	472	MALLIKARJUNA.N	22-10-2020	11-04-2022	6782996
9	MWD	RO Water Purifier	543	422(24)	DPAR Egovernance	21-10-2021	26-10-2021	7903791
10	MWD	RO Water Purifier	544	422(23)	DPAR Egovernance	21-10-2021	25-01-2022	7903791
11	TWD	Learning TV	684	542(A)	DPAR	14-01-2022	19-01-2022	7611590
12	TWD	Learning TV	685	542(G)	DPAR	14-01-2022	21-01-2022	9242645
13	TWD	Learning TV	688	542H	DPAR	14-01-2022	20-01-2022	8698960
14	TWD	Learning TV	689	542C	DPAR	14-01-2022	17-01-2022	3805795
15	TWD	Learning TV	690	542E	DPAR	14-01-2022	17-01-2022	8698960
16	TWD	Learning TV	691	542F	DPAR	14-01-2022	17-01-2022	8698960
17	MWD	LED Streetlights	12A	541	MALLIKARJUNA.N	30-07-2020	12-08-2020	8698960
		TOTAL						**13,05,63,612**

Appendix – 26

(Referred to in Paragraph 6.1.13)

Equipment delivered by vendors before completion of tendering process

Sl. No.	Dept	Name of Material	PO No.	PO date	File number	Tender number	Tender Date (Notification date)	Tender last date	Tender Name of the vendor (L1)	Delivery challan date	PO Amount (₹)
1	DTE	CCTV	81	14-05-2019	19	15	06-05-2018	07-05-2018	Din Infotech	03-04-2019 to 01-06-2019	92,33,759
2	TWD	UPS & Washing Machine	224	08-06-2021	18	65	05-04-2021	15-04-2021	Surya Enterprise	25-03-2021 PHOTO	72,00,600
3	DTE	Camera	100	24-05-2019	44	NIL	06-03-2019	16-03-2019	Din Infotech	19-03-2019	27,71,148
4	DTE	Hardware	77(a)	10-05-2019	9	4	24-04-2019	02-05-2019	NINERICH	27-03-2019	11,59,914
TOTAL											**2,03,65,421**

Appendix – 27

(Referred to in Paragraph 6.1.14)

A Advances given to Business Associates by KEONICS

Sl. No.	Name of the Agency	Total value of PO (Rs.)	User Department	Iteam	PO date	Invoice date	Advance received date	Advance paid Date	Time gap between advance received by KEONICS and advance paid to Vendor (in days)	Time gap between Advance paid to vendors and invoice days	Advance amount paid (Rs.)	Percentage of advance	Amount Recouped till date	Amount Uncrecouped
2022-23														
1	ACCPL	17,33,73,480	Karnataka State Building and other Constructions workers welfare board	Supply of Tabs	29-09-2022	03-12-2022	07-10-2022	13-10-2022	6	51	4,98,08,160	29%	4,98,08,160	
2	Aerosys Software Pvt Ltd	1,02,87,596	Office of the District Collector, Raichur	Scanning and Digitalization	05-12-2022	02-09-2023	07-03-2023	21-03-2023	14	165	80,58,204	78%	80,58,204	
3	Atraya Technologies Pvt Ltd	37,86,626	Karnataka Tanda Devolopment Corporation Ltd.,	Online Billing Management System	13-10-2022	Not Recouped	28-07-2022	06-12-2022	131		19,35,425	51%		19,35,425
4	AV Solutions	2,39,50,731	EE 1 & 2 Mysore & Tumkur KIADB	GIS/GPS Mapping using latest Technologies	13-10-2022	Not Recouped	15-02-2023	07-03-2023	20		83,54,498	35%	--	83,54,498
5	Belaku	1,69,74,160	DC, Kalaburgi	Supply of hi-mast street lights etc.	05.08.2022	09-11-2022	13-07-2022	09-09-2022	58	61	95,90,000	56%	95,90,000	--
6	Bluebyte Infrastructures	6,08,41,200	Karnataka State Building & Other Construction Workers Welfare Department	Tab	07-11-2022	16-03-2023	14-10-2022	17-01-2023	95	58	2,38,84,014	39%	2,38,84,014	
7	Dynamic Infratech	6,29,60,471	Not Furnished	Supply Of Medical Equipments And Programmable Controlled Water Dispenser Etc	25-08-2022	17-03-2023	26-07-2022	14-11-2022	111	123	2,30,05,621	37%	1,52,67,426	77,38,195

Appendix – 27 contd.

Sl. No.	Name of the Agency	Total value of PO (Rs.)	User Department	Iteam	PO date	Invoice date	Advance received date	Advance paid Date	Time gap between advance received by KEONICS and advance paid to Vendor (in days)	Time gap between Advance paid to vendors and invoice days	Advance amount paid (Rs.)	Percentage of advance	Amount Recouped till date	Amount Uncrecouped
8	Himagiri And Co	1,89,08,056	District Statistical Officer Bidar	Scanning & Digitalization	31.12.2022	31-07-2023	04-01-2023	22-02-2023	49	159	47,89,393	25%	47,89,393	
9	Hunarvi Technologies Pvt Ltd	3,79,98,520	Not Furnished	Not Furnished	04-04-2022	14-07-2023	11-07-2022	14-07-2022	3	365	74,55,420	20%		
10	Magnatar Trading Private Limited	3,47,66,400	Karnataka State Building & Other Construction Workers Welfare Department	Tab	07.11.2022	14-03-2023	14-10-2022	17-01-2023	95	56	1,36,48,008	39%	1,36,48,008	
11	MNS Associates	12,13,720	DC Office, Kalburgi	Smart Class	15.07.2022	12-04-2023	10-01-2022	23-08-2022	225	232	5,01,850	41%	5,01,850	
12	N D Management Bangalore	6,63,19,869	Not Furnished	SUPPLY & INSTALLATION OF DIGITAL LIBRARY ETC	Not Furnished	08-08-2023	Not Furnished	20-03-2023		141	4,13,07,651	62%	2,36,04,372	1,77,03,279
13	Penta Electronic Systems	5,77,13,679	Not Furnished	TOWARDS SCANNING & DIGITALIZATION OF DOCUMENTSET	23-03-2023	08-06-2023	09-03-2023	30-03-2023	21	70	1,91,14,983	33%	1,91,14,983	-
14	Sr Carbons	1,89,98,122	Deputy Commissioner's Office, Belagavi District, Athani	Smart Class	27-03-2023	Not Recouped	13-03-2023	30-03-2023	17		1,15,81,144	61%	--	1,15,81,144
15	Samvardhane Technologies Pvt. Ltd. Bangalore	1,65,43,682	Not Furnished	TOWARDS PROVIDING SCANNING & DIGITALISATION SERVICES	Not Furnished	13-07-2023	Not Furnished	18-01-2023		176	62,43,556	38%	62,43,556	-

Appendix – 27 contd.

Sl. No.	Name of the Agency	Total value of PO (Rs.)	User Department	Iteam	PO date	Invoice date	Advance received date	Advance paid Date	Time gap between advance received by KEONICS and advance paid to Vendor (in days)	Time gap between Advance paid to vendors and invoice days	Advance amount paid (Rs.)	Percentage of advance	Amount Recouped till date	Amount Uncrecouped
16	Task Enterprises	1,93,30,000	Town Municipal, Bangalore	LED Display Board	15-12-2022	Not Recouped	17-12-2022	21-02-2023	66		74,62,118	39%		74,62,118
	Total	**62,39,66,312**									**23,67,40,045**		**17,45,09,966**	**5,47,74,659**
2023-24														
1	Valpra Biotech Pvt Ltd	8,36,75,796	Panchayath Raj Engineering Division, Kolar	Supply of Digital Electronic Equipment	27-02-2023	Not Recouped	15-02-2023	15-04-2023	59		3,72,68,090	45%	--	3,72,68,090
2	Penta Electronic Pvt Ltd,	Not Furnished	D. Devaraja Urs Backward Classes Development Corporation Ltd., Bangalore	Digitalization of records	23-03-2023	08-06-2023	09-05-2023	12-05-2023	3	27	2,67,60,976		2,67,60,976	
3	AV Solutions	89,41,069	EE-Mysore Zone, KIADB, Bangalore	GIS/GPS Mapping using latest Technologies	28-06-2022	Not Recouped		02-06-2023			28,53,890	32%		28,53,890
4	Techshetra Info Solutions Pvt Ltd	5,52,35,230	Raichuru Urban Devolopement Authority, Raichur	Supply and Installation of High Mast Lights	26-03-2021	Not Recouped	11-05-2023	13-09-2023	125		4,70,08,954	85%		4,70,08,954
5	Proserve Inc	70,20,393	Karnataka Renewable Energy Development Limited, Bangalore	Upgradation of Auditorium Equipments in KREDL	17-02-2023	Not Recouped	30-06-2023	02-08-2023	33		27,67,771	39%		27,67,771
6	Diana Enterprises	4,75,98,830	Social Welfare Department	High mast LED Lights	27.07.2023	Not Recouped	27-06-2023	11-08-2023	45		1,70,33,487	36%		1,70,33,487
7	Knobly Consulting LLP	18,18,750	Kannada Sahithya Parishat	Smart card	24.07.2023	Not Recouped	04-08-2023	18-08-2023	14		13,77,542	76%		13,77,542

Appendix – 27 contd.

Sl. No.	Name of the Agency	Total value of PO (Rs.)	User Department	Iteam	PO date	Invoice date	Advance received date	Advance paid Date	Time gap between advance received by KEONICS and advance paid to Vendor (in days)	Time gap between Advance paid to vendors and invoice days	Advance amount paid (Rs.)	Percentage of advance	Amount Recouped till date	Amount Uncrecouped
8	Himagiri And Co	Not Furnished	Not Furnished	Towards Providing Scanning & Digitalisation Services Etc	Not Furnished	Not Furnished	Not Furnished	21-04-2023			40,91,510		40,91,510	
9	N D Management Bangalore	19,21,92,220	Not Furnished	SUPPLY & INSTALLATION OF DIGITAL LIBRARY ETC	Not Furnished	08-08-2023	Not Furnished	15-04-2023		115	10,26,87,018	53%	9,36,94,877	89,92,141
10	Orisys India Consulting	24,10,740	Not Furnished	Vendor Module Development For Centerlized Electronics Public Procurement Management System In Keonics HO	Not Furnished	Not Recouped	Not Furnished	18-05-2023			12,05,370	50%		12,05,370
11	Samvardhane Technologies Pvt Ltd	Not Furnished	Not Furnished	Towards Providing Scanning & Digitalisation Services Etc	Not Furnished	26-05-2023	Not Furnished	21-04-2023			67,16,197		67,16,197	
	Total	**39,88,93,028**									**24,97,70,805**		**13,12,63,560**	**11,85,07,245**

Appendix – 28

(Referred to in Paragraph 6.2)

Details of the works tendered/commenced which are stopped due to issues relating to land availability.

(₹ in crore)

Sl. No.	Name of the work	Tendered cost	Date of floating tender	Date of commencement and stipulated date of completion	Expenditure incurred (Last payment made on)	Idling since	Extension of time granted upto	Chainages yet to be completed and reasons for incomplete status of work	Remarks
1	Construction of Tail End Distributary under NRBC Canal Extension from 0.00 to 18.60 kms including lining and structures	29.76	14.12.2017	15.03.2018 with due date of completion as 14.02.2019	27.98 (June 2019)	October 2020	31-3-2021	The stretch from 6.96 kM to 7.16 kM was incomplete due to land dispute. The stretches from 11.80 KM to 12.20 KM, 14.60 KM to 15.20 KM and 16.10 KM to 17.10 KM are horticulture land and work was held up pending verification from SLAO and Horticulture Department.	The work was lingering for more than three years
2	Construction of Lateral No.13 of Wadavatti Branch Distributary of NRBC D-9(A) from 0.00 to 3.100 KM including lining and structures	0.56	22.11.2014	17.04.2015 with due date of completion as 16.10.2015	0.18 (October 2015)	October 2015	Agency has not applied for EoT	Chainages from 0.00 to 0.03 KM and 1.60 to 3.10 KM Farmers are demanding the change of alignment at starting point and for the stretches after 1.6 KM.	The work was lingering for more than eight years.
3	Construction of Lateral No.12 of Wadavatti Branch Distributary of NRBC D 9(A) from 0.00 to 3.600 KM including lining and structures	1.03	21.11.2015	23.07.2016 with due date of completion as 22.04.2017 (09 months)	0.61 (February 2018)	July 2017	Agency has not applied for EoT	Work at 1.20 KM to 1.60 KM in Kavital village was not taken up due to land issues.	The work was lingering for more than six years.
4	Construction of Laterals No.11 of Wadavatti Branch Distry of NRBC D –9(A) from 0.00 to 5.853 KM including lining and structures	1.56	21.11.2015	20.06.2016 with due date of completion as 19.03.2017 (9 months)	1.23 (May 2019)	March 2017	Agency has not applied for EoT	Work at 3.4 kM to 3.70 KM and 5 KM to 5.22 KM in Kavital village was not taken up owing to land issues.	The work was lingering for more than six years.
	Total	**32.91**			**30.00**				

Appendix – 29

(Referred to in Paragraph 6.4)

Excess price adjustment paid under "Plant and Machinery Spares" component

(Amount in ₹)

Sl. No.	Work done Month	Value of the work done for the quarter (R)	Price index of "Material handling, lifting and hoisting equipment"	Average index for the work done quarter (Pi)	Average price index of "Material handling, lifting and hoisting equipment" for the quarter preceding the tender			Price adjustment amount payable Vm = 0.85×15/100 × R × (Pi –Po)/Po	Price Adjustment paid	Excess price adjustment paid
					Month	Index value	Average Index(Po)			
1	Jul-21	3,07,83,31,915	110	110.23	Mar-21	110	109.77	16,68,637	1,05,26,867	88,58,230
	Aug-21		110.1		Apr-21	109.7				
	Sep-21		110.6		May-21	109.6				
2	Oct-21	1,17,72,81,630	111.3	111.67	Mar-21	110	109.77	25,98,207	52,34,969	26,36,762
	Nov-21		111.8		Apr-21	109.7				
	Dec-21		111.9		May-21	109.6				
TOTAL								**42,66,844**	**1,57,61,836**	**1,14,94,992**

Appendix – 30

(Referred to in Paragraph 6.4)

Excess price adjustment paid under "Mild Steel Flats and Sheets" component

(Amount in ₹)

Sl. No.	Work done Month	Value of the work done for the quarter (R)	Price index of "Mild Steel-Flat Products" under "Structural Steel Component	Average index for the work done quarter (Pi)	Average price index of "Mild Steel-Flat Products" under "Structural Steel Component for the quarter preceding the tender			Price adjustment amount payable Vs =0.85×15/100 × R × (Pi –Po)/Po	Price Adjustment paid	Excess price adjustment paid
					Month	Index value	Average Index(Po)			
1	Jan-21	11,94,63,770	102.3	102.33	Sep-19	90.1	90.1	20,68,076	45,31,253	24,63,177
	Feb-21		102.3		Oct-19	90.1				
	Mar-21		102.4		Nov-19	90.1				
2	Apr-21	30,10,89,019	102.4	102.40	Sep-19	90.1	90.1	52,40,653	1,70,06,737	1,17,66,084
	May-21		102.4		Oct-19	90.1				
	Jun-21		102.4		Nov-19	90.1				
3	Jul-21	20,00,33,868	102.4	102.47	Sep-19	90.1	90.1	35,00,593	1,28,44,148	93,43,555
	Aug-21		102.5		Oct-19	90.1				
	Sep-21		102.5		Nov-19	90.1				
4	Oct-21	6,92,05,361	102.5	102.50	Sep-19	90.1	90.1	12,14,358	48,62,913	36,48,555
	Nov-21		102.5		Oct-19	90.1				
	Dec-21		102.5		Nov-19	90.1				

Appendix – 30 contd.

Sl. No.	Work done Month	Value of the work done for the quarter (R)	Price index of "Mild Steel-Flat Products" under "Structural Steel Component	Average index for the work done quarter (Pi)	Average price index of "Mild Steel-Flat Products" under "Structural Steel Component for the quarter preceding the tender			Price adjustment amount payable Vs =0.85×15/100 × R × (Pi –Po)/Po	Price Adjustment paid	Excess price adjustment paid
					Month	Index value	Average Index(Po)			
5	Jan-22	27,53,26,653	102.5	102.50	Sep-19	90.1	90.1	48,31,204	1,97,72,039	1,49,40,835
	Feb-22		102.5		Oct-19	90.1				
	Mar-22		102.5		Nov-19	90.1				
6	Apr-22	18,81,11,387	102.5	104.47	Sep-19	90.1	90.1	38,24,340	1,56,54,207	1,18,29,867
	May-22		102.5		Oct-19	90.1				
	Jun-22		108.4		Nov-19	90.1				
7	Jul-22	10,45,97,384	109.6	109.60	Sep-19	90.1	90.1	28,86,296	63,14,701	34,28,405
	Aug-22		109.6		Oct-19	90.1				
	Sep-22		109.6		Nov-19	90.1				
8	Oct-22	4,53,85,618	100.5	106.57	Sep-19	90.1	90.1	10,57,571	23,55,964	12,98,393
	Nov-22		109.6		Oct-19	90.1				
	Dec-22		109.6		Nov-19	90.1				
TOTAL								**2,46,23,091**	**8,33,41,962**	**5,87,18,871**

Appendix – 31
(Referred to in Paragraph 6.9)
Statement showing calculation of excess electricity charges for Shanthipura Pump House

(Amount in ₹)

Sl. No.	Month	Actual consumption for the month (in units)	Energy Charges	Misc Charges (FEC, Interest, Rebate)	Energy charges for the month inclusive of all charges (A)	Annual Minimum charges as per KERC (inclusive of miscellaneous charge)s (B)	Electricity charges to be levied for the year. (Higher of A or B) (C)	Electricity charges levied by MESCOM (D)	Excess electricity charges (D)-(C)
2019-20									
1	April	56000	140000	6450	146450	116335514	116335514	8525609	15478366
2	May	56000	140000	76140	216140			8595270	
3	June	68000	187000	160146	347146			9430986	
4	July	64000	176000	251799	427799			9522638	
5	August	56000	154000	351130	505130			9621969	
6	September	64000	176000	449844	625844			9720684	
7	October	80000	220000	552365	772365			9823204	
8	November	2644000	7271000	526603	7797603			9797443	
9	December	4504000	12386000	1387049	13773049			13142489	
10	January	8644000	23771000	542724	24313724			24313724	
11	February	380000	1045000	284795	1329795			9555635	
12	March	52000	143000	493389	636389			9764229	
	Total			**5082434**	***50891434***			***131813880***	
2020-21									
1	April	52000	143000	547424	690424	128942147	128942147	9818263	45130534
2	May	48000	132000	645376	777376			9916216	
3	June	52000	143000	725676	868676			9996515	
4	July	56000	154000	828304	982304			10099143	
5	August	68000	187000	377098	564098			9647938	
6	September	164000	451000	255734	706734			9526573	
7	October	5888000	16192000	697741	16889741			16889741	
8	November	8136000	22374000	974619	23348619			23348619	
9	December	8332000	24996000	1099752	26095752			26095752	
10	January	8724000	26172000	580295	26752295			26752295	
11	February	680000	2040000	867785	2907785			10890334	
12	March	64000	192000	1068743	1260743			11091292	
				8668547	***101844547***			***174072681***	

Appendix – 31 contd.

Sl. No.	Month	Actual consumption for the month (in units)	Energy Charges	Misc Charges (FEC, Interest, Rebate)	Energy charges for the month inclusive of all charges (A)	Annual Minimum charges as per KERC (inclusive of miscellaneous charge)s (B)	Electricity charges to be levied for the year. (Higher of A or B) (C)	Electricity charges levied by MESCOM (D)	Excess electricity charges (D)-(C)
2021-22									
1	April	68000	204000	659476	863476	129792138	129792138	10682026	41723366
2	May	76000	228000	559290	787290			10581839	
3	June	2972000	8916000	510846	9426846			10533395	
4	July	72000	223200	734636	957836			11508895	
5	August	5688000	17632800	-1627614	16005186			15749186	
6	September	8396000	26027600	-3040988	22986612			22986612	
7	October	8348000	25878800	-702090	25176710			25176710	
8	November	5404000	16752400	-131997	16620403			16620403	
9	December	3812000	11817200	305354	12122554			12122554	
10	January	204000	632400	952023	1584423			11726283	
11	February	52000	161200	1083411	1244611			11857670	
12	March	48000	148800	1195671	1344471			11969931	
	Total		**108622400**	**498018**	***109120418***			***171515504***	
2022-23									
1	April	56000	173600	1319580	1493180			12093840	
2	May	48000	151200	579615	730815	151741451	151741451	12481440	-13224412
3	June	48000	151200	525348	676548			12427172	
4	July	48000	151200	658457	809657			12560281	
5	August	56000	176400	786118	962518			12687943	
6	September	48000	151200	510097	661297			12411921	
7	October	48000	151200	456000	607200			12357824	
8	November	48000	151200	582238	733438			12484062	
9	December	52000	163800	705627	869427			12607452	
10	January	48000	151200	802143	953343			12703967	
11	February	48000	151200	928202	1079402			12830027	
12	March	48000	151200	1063126	1214326			12964950	
	Total			**8916551**	***10791151***			***138517039***	
	Grand Total								**89107854**

Appendix – 32
(Referred to in Paragraph 6.9)
Statement showing calculation of excess electricity charges for Bettataverekere Pump House

(Amount in ₹)

Sl. No.	Month	Actual consumption for the month (in units)	Energy Charges	Misc Charges (FEC, Interest, Rebate)	Energy charges for the month inclusive of all charges (A)	Annual Minimum charges as per KERC (inclusive of miscellaneous charge)s (B)	Electricity charges to be levied for the year. (Higher of A or B) (C)	Electricity charges levied by MESCOM (D)	Excess electricity charges (D)-(C)
2020-21									
1	April	60000	165000	532087	697087	128755445	128755445	9808926	41941533
2	May	56000	154000	635570	789570			9906410	
3	June	60000	165000	722714	887714			9993553	
4	July	64000	176000	825984	1001984			10096823	
5	August	64000	176000	376172	552172			9647011	
6	September	64000	176000	251715	427715			9522554	
7	October	5536000	15224000	676445	15900445			15900445	
8	November	7828000	21527000	950264	22477264			22477264	
9	December	8268000	24804000	1089927	25893927			25893927	
10	January	8328000	24984000	558955	25542955			25542955	
11	February	620000	1860000	838671	2698671			10861220	
12	March	76000	228000	1023341	1251341			11045890	
	Total			8481845	***98120845***			***170696978***	
2021-22									
1	April	68000	204000	639315	843315	129294120	129294120	10661864	38971851
2	May	80000	240000	545053	785053			10567602	
3	June	2752000	8256000	506384	8762384			10528933	
4	July	76000	235600	716996	952596			11491255	
5	August	5600000	17360000	-1653683	15706317			15706317	
6	September	8212000	25457200	-2962758	22494442			22494442	
7	October	8000000	24800000	-660651	24139349			24139349	
8	November	5100000	15810000	-104422	15705578			15705578	
9	December	3644000	11296400	304792	11601192			11601192	
10	January	60000	186000	928936	1114936			11703196	
11	February	56000	173600	1049889	1223489			11824148	
12	March	56000	173600	1067836	1241436			11842095	
	Total				104570087			**168265971**	

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Sl. No.	Month	Actual consumption for the month (in units)	Energy Charges	Misc Charges (FEC, Interest, Rebate)	Energy charges for the month inclusive of all charges (A)	Annual Minimum charges as per KERC (inclusive of miscellaneous charge)s (B)	Electricity charges to be levied for the year. (Higher of A or B) (C)	Electricity charges levied by MESCOM (D)	Excess electricity charges (D)-(C)
2022-23									
1	April	60000	186000	910661	1096661	151990297	151990297	11684920	-1130570
2	May	60000	189000	508845	697845			12410670	
3	June	68000	214200	516949	731149			12418774	
4	July	72000	226800	654234	881034			12556058	
5	August	84000	264600	782539	1047139			12684364	
6	September	76000	239400	907051	1146451			12808876	
7	October	72000	226800	776705	1003505			12678529	
8	November	44000	138600	584813	723413			12486638	
9	December	48000	151200	711380	862580			12613204	
10	January	60000	189000	807109	996109			12708934	
11	February	52000	163800	934834	1098634			12836658	
12	March	44000	138600	1070277	1208877			12972102	
	Total			9165397	***11493397***			***150859727***	
					Grand Total				**79782814**

Appendix – 33

(Referred to in Paragraph 6.10)

Details of works taken up under R-APDRP, NJY and Capex in respect of which penalty was refunded by GESCOM

Sl. No.	Name of the work	Name of the agency	Contract price (₹ in crore)	Date of LoI/DWA	Stipulated date for completion	Actual date of completion	Total no. of days of delay in completion	Delays attributed to GESCOM (no. of days)	Delays attributed to agency (no. of days)	Date of request from agency for refund of penalty	Approval by CPC/ Board	Penalty refunded (₹)
1	Execution of RAPDRP Part B works in Gulbarga City Division & Gulbarga-I (Aland Town)	M/s Larsen & Toubro Limited, Bangalore	51.36	3.3.2012/ 3.5.2012	02.02.2013	31.12.2015	1,078	1,062	16	3.3.2017	89th CPC/ 18.9.2020 80th BM/ 27.11.2020	2,67,95,820
2	Execution of RAPDRP Part B works in Bidar Division (Bidar & Bhalki Towns)	M/s Larsen & Toubro Limited, Bangalore	30.08	3.3.2012/ 3.5.2012	02.02.2013	31.12.2015	1,062	1,062	nil	3.3.2017	89th CPC/ 18.9.2020 80th BM/ 27.11.2020	1,75,08,314
3	Niranthara Jyothi Yojane works in Bhalki Taluk, O&M division, GESCOM, Bidar	M/s Ramlingam Construction Company Pvt Ltd, Bangalore	13.05	26.11.2011/ 27.12.2011	26.05.2012 Extended up to 31.12.2012	14.02.2015	775	217	558		88th CPC/ 4.7.2020 79th BM/ 12.8.2020	45,76,979
4	Niranthara Jyothi Yojane works in Gulbarga Taluk, O&M Division-I, GESCOM	M/s Ramlingam Construction Company Pvt Ltd, Bangalore	17.50	20.7.2012/ 20.9.2012	20.01.2013	14.03.2016	1,155	612	543	13.6.2016	88th CPC/ 4.7.2020 79th BM/ 12.8.2020	1,22,94,115

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Sl. No.	Name of the work	Name of the agency	Contract price (₹ in crore)	Date of LoI/DWA	Stipulated date for completion	Actual date of completion	Total no.of days of delay in completion	Delays attributed to GESCOM (no. of days)	Delays attributed to agency (no. of days)	Date of request from agency for refund of penalty	Approval by CPC/ Board	Penalty refunded (₹)
5	Niranthara Jyothi Yojane works in Chitapur Taluk, O&M Division II, GESCOM	M/s Ramlingam Construction Company Pvt Ltd, Bangalore	13.80	20.7.2012/ 20.9.2012	20.01.2013	3.03.2016	1,153	612	541	13.6.2016	88th CPC/ 4.7.2020 79th BM/ 12.8.2020	1,27,62,864
6	Establishing 3 Nos. of 33/11kV GIS substations at i.Shantinargar, ii.Service-44 and iii. KHB (High Court)	M/s Sharavathy Conductors Pvt Ltd, Bangalore	44.56	1.3.2016/ 11.4.2016	31.12.2016 Revised to 3.12.2017	31.07.2019	605	418	34	19.11.2019	90th CPC/ 3.10.2020 80th BM/ 27.11.2020	2,03,81,094
7	Establishing 2 Nos. of 33/11kV GIS substations at i. KCT Gate ii. Govt.General hospital	M/s Sharavathy Conductors Pvt Ltd, Bangalore	25.91	1.3.2016/ 11.4.2016	31.12.2016 Revised to 9.5.2018	21.09.2019	501	261	87	19.112019	90th CPC/ 3.10.2020 80th BM/ 27.11.2020	83,51,802
	Total		**196.26**									**10,26,70,988**

Appendix – 34
(Referred to in Paragraph 6.10)
Audit Remarks vis-à-vis Justification for refund of penalty

Sl. No.	Name of the work	Date of LoI/ DWA	Stipulated date/actual date of completion	Name of the agency/ Penalty refunded (₹ in crore)	Justification for refund as recorded in the proceedings of CPC	Audit Remarks
1	Execution of RAPDRP Part B works in Gulbarga City Division & Gulbarga-I (Aland Town)	3.3.2012/ 3.5.2012	02.02.2013 /31.12.2015	**Agency:** M/s Larsen & Toubro Limited, Bangalore **Penalty refunded**: ₹ 2.68 crore	i. The supply of Static Energy Meters and Distribution Transformers is under the scope of GESCOM. The supply of meters took place (after the target date of completion) between 30.12.2013 and 15.12.2015. Installation of meters was kept on hold till 26.11.2014 due to Infosys software issues and the work was completed on 31.12.2015 after resuming it on 26.11.2014. ii. Additional LT AB cable works were entrusted on 13.2.2014/9.6.2015 and completed on 30.6.2015. ii. Scope of work reduced (providing pole mounted tamper proof boxes and display units at consumer premises found not viable) and revised DWA issued on 10.6.2013. iv. Dispatch clearance for CRCA Boxes and LT&HT Insulators were issued with delay of 42 and 36 days respectively from the date of inspection call received from the agency.	i. The scope of the contract included five components, *viz*. i). Replacement of OH Lines by LT AB Cables, ii). Shifting of meters from consumer premises to nearest distribution pole, iii). Reconductoring of 11kV lines, iv). Installation of additional Distribution Transformer Centres & 11kV Link Line v) Replacement of existing meters with electro static meters. It is observed that the delay in supply of static meters had affected only one component of the contact (*viz*. Replacement of existing meters with electro static meters) and decision to condone the delay for the entire project including those components where GESCOM had no role to play is not in order ii. The additional works were entrusted after the target date, which had no way impacted the completion of works that were in the original scope of contract. iii. The reduction in scope should have resulted in reduction in time for completion of works. Hence, this event had no bearing on the completion of works. . iv. It is observed that the agency gave the inspection call only on 19.1.2013 and 9.10.2012, and GESCOM gave clearance on 1.4.2013 and 14.12.2012 respectively. Audit noted that CPC considered the delay in issue of clearance by GESCOM, without taking into account the delay in issue of inspection call by the agency with reference to milestones. As against target date for completion of entire project in February 2013, inspection call was given in January 2013.
2	Execution of RAPDRP Part B works in Bidar Division (Bidar & Bhalki Towns)	3.3.2012/ 3.5.2012	02.02.2013/ 31.12.2015	**Agency**: M/s Larsen & Toubro Limited, Bangalore **Penalty refunded:**	i. The supply of Static Energy Meters and Distribution Transformers is under the scope of GESCOM. The supply of meters took place (after the target date of completion) between 19.9.2014 and 18.12.2015. Installation of meters was kept on	i. The scope of the contract included five components, *viz*. i). Replacement of OH Lines by LT AB Cables, ii). Shifting of meters from consumer premises to nearest distribution pole, iii). Reconductoring of 11kV lines, iv). Installation of additional Distribution Transformer Centres & 11kV Link Line v) Replacement of existing meters with electro static meters.

Appendix – 34 contd.

Sl. No.	Name of the work	Date of LoI/ DWA	Stipulated date/actual date of completion	Name of the agency/ Penalty refunded (₹ in crore)	Justification for refund as recorded in the proceedings of CPC	Audit Remarks
				₹ 1.75 crore (including ₹ 1.27 crore relating to supply portion)	hold till 26.11.2014 due to Infosys software issues and the work was completed on 31.12.2015 after resuming it on 26.11.2014. ii. Additional LT AB cable works were entrusted on 9.6.2015 and completed on 31.12.2015. ii. Scope of work reduced (providing pole mounted tamper proof boxes and display units at consumer premises found not viable) and revised DWA issued on 10.6.2013. Dispatch clearance for CRCA Boxes, LT&HT Insulators and ACSR Conductor were issued with delay of 72, 66 and 40 days respectively from the date of inspection call received from the agency..	ii. It is observed that the delay in supply of static meters had affected only one component of the contact (Replacement of existing meters with electro static meters) and decision to condone the delay for the entire project including those components where GESCOM had no role to play is not in order iii. The additional works were entrusted much after the target date, which had no bearing on the completion of works that were in the original scope of contract. iv. The reduction in scope should have resulted in reduction in time for completion of works. Hence, this event had no bearing on the completion of works. It is observed that the agency gave the inspection call only on 9.10.2012, 19.1.2013 and 30.1.2013, and GESCOM gave clearance on 14.12.2012, 1.4.2013 and 11.3.2013 respectively. Audit noted that CPC considered the delay in issue of clearance by GESCOM, without taking into account the delay in issue of inspection call by the agency with reference to milestones. As against target date for completion of entire project in February 2013, inspection call was given in January 2013.
3	**Work**: Niranthara Jyothi Yojane works in Bhalki Taluk, O&M division, GESCOM, Bidar	26.11.2011/ 27.12.2011	26.05.2012/ Extended upto 31.12.2012/ 14.02.2015	**Agency**: M/s Ramlingam Construction Company Pvt Ltd, Bangalore **Penalty refunded:** ₹ 0.46 crore (including ₹ 0.34 crore relating to supply portion)	i. Non-availability of PCVCB/MCVCB, Existence of railway crossings, Delay in obtaining approval of Electrical Inspectorate for change in specification (hoisting 25/63kVA transformer on single/double pole mounting structure), objections from farmers, forest & PWD, etc. ii. Out of the total delay of 775days, 217 days attributed to GESCOM and 558 days attributed to agency.	i. Though various causes for the delay were deliberated by the CPC, the dates of occurrence of these delays and the number of days attributable to each of the causes was not specific. The total delay was merely categorized under three broad categories (Approval of drawings/vendors, *etc,* Supply of materials, and Erection). ii. In spite of the delay of 558 days out of 775 days attributed to the agency, no LD was levied and the reasons for non-levy were not deliberated by the CPC. In fact, it was noted by the CPC that five out of six feeders which had no issues of railway crossings had been delayed by more than two months to two years from the target date.

Appendix – 34 contd.

Sl. No.	Name of the work	Date of LoI/ DWA	Stipulated date/actual date of completion	Name of the agency/ Penalty refunded (₹ in crore)	Justification for refund as recorded in the proceedings of CPC	Audit Remarks
4	**Work**: Niranthara Jyothi Yojane works in Gulbarga Taluk, O&M Division-I, GESCOM	20.7.2012/ 20.9.2012	20.01.2013/ 14.03.2016	**Agency**: M/s Ramlingam Construction Company Pvt Ltd, Bangalore **Penalty refunded:** ₹ 1.23 crore	i. Non-availability of PCVCB/MCVCB, Existence of railway crossings and delay by railway authorities in completion of works, Delay in obtaining approval of Electrical Inspectorate for change in specification (hoisting 25/63kVA transformer on single/double pole mounting structure), Entrustment of additional works valued at ₹ 3.79 crore, etc. ii. Out of the total delay of 1,155 days, 612 days attributed to GESCOM and 543 days attributed to agency.	i. Though various causes for the delay were deliberated by the CPC, the dates of occurrence of these delays and the number of days attributable to each of the causes was not specific. The total delay was categorized under three broad categories (Approval of drawings/vendors, *etc,* Supply of materials, and Erection). It was observed that the major delay was attributed to additional works (₹ 3.29 crore). However, the additional works were executed after Board's approval on 29.5.2014 which was much after the stipulated date of completion and had no bearing for completion of works that were in original scope of contract. ii. In spite of the delay of 543 days out of 1,155 days attributed to the agency, no LD was levied and the reasons for non-levy were not deliberated by the CPC. In fact, it was noted by the CPC that six out of eleven feeders which had no issues of railway crossings had been delayed by 2 to 3 years from the target date.
5	**Work**: Niranthara Jyothi Yojane works in Chitapur Taluk, O&M Division II, GESCOM	20.7.2012/ 20.9.2012	20.01.2013/ 3.03.2016	**Agency**: M/s Ramlingam Construction Company Pvt Ltd, Bangalore **Penalty refunded:** ₹ 1.28 crore	i. Non-availability of PCVCB/MCVCB, Existence of railway crossings, Delay in obtaining approval of Electrical Inspectorate for change in specification (hoisting 25/63kVA transformer on single/double pole mounting structure), Entrustment of additional works valued at ₹ 3.21 crore, *etc*. ii. Out of the total delay of 1,153 days, 612 days attributed to GESCOM and 541 days attributed to agency.	i. Though the various causes for the delay were deliberated by the CPC, the dates of occurrence of these delays and the number of days attributable to each of the causes was not specific. The total delay was categorized under three broad categories (Approval of drawings/vendors, *etc,* Supply of materials, and Erection). It was observed that the major delay was attributed to additional works (₹ 3.21 crore). However, the additional works were executed after Board's approval on 29.5.2014 which was much after the stipulated date of completion and had no bearing for completion of works that were in original scope of contract. ii. In spite of the delay of 541 days out of 1,153 days attributed to the agency, no LD was levied and the reasons for non-levy were not deliberated by the CPC. In fact, it was noted by the CPC that five out of eight feeders which had no issues of railway crossings had been delayed by 1 to 3 years from the target date.

Appendix – 34 contd.

Sl. No.	Name of the work	Date of LoI/ DWA	Stipulated date/actual date of completion	Name of the agency/ Penalty refunded (₹ in crore)	Justification for refund as recorded in the proceedings of CPC	Audit Remarks
6	**Lot-1** Establishing 3 Nos. of 33/11kV GIS substations at i.Shantinargar, ii.Service station-44 and iii. KHB (High Court)	1.3.2016/ 11.4.2016	31.12.2016 Revised to 3.12.2017/ 31.7.2019	**Agency**: M/s Sharavathy Conductors Pvt Ltd, Bangalore. **Penalty refunded:** ₹ 2.03 crore (including ₹ 0.66 crore relating to supply portion)	The subject was placed initially before 84th CPC held on 31.05.219 & 89th CPC held on 18.9.2020, but deferred for want of information. The subject was discussed in 90th CPC held on 3.10.2020. • Delay in obtaining statutory approval from NHAI. • Entrustment of additional works, change in route alignment and delay in line clearance were the causes for delay in completion of works. These delays attributed to GESCOM.	The causes deliberated in the CPC while approving condonation of delay and refund of LD were contrary to the facts available on record. The Assistant Executive Engineer-3 (Projects) and the Executive Engineer (Electrical) of O&M Division, GESCOM, reported (November 2017 and March/April/July 2018/February 2019) the failures of the agency on several fronts were as follows: • **Service station – 44:** o Joint inspection for constructing 33kV line works was carried out on 22.8.2017 after lapse of 12 months from the date of handing over of the site. o Approval of drawings, additional works and change in 33kV line route was not the cause for delay in completion of work. The agency commenced the work of 33kV line on 24.7.2017, after lapse of 12 months from the date of handing over of the site. The agency failed to carryout the work by deputing sufficient manpower and quality material which caused delay in execution. o Not carrying out the work despite resolving the ROW issues. o Not carrying out of laying spare 11kV 400 sqmm 3 core cable since 31.8.2017, stoppage of line work since 26.5.2018. • **KHB complex:** o Joint inspection was carried out for 33kV line work on 22.8.2017 after lapse of 7 months from the date of handing over of the site. o The agency erected I-beam poles without concurrence from NHAI and without intimating GESCOM. Because of unplanned execution of work, NHAI instructed to release the poles and get approval from NHAI. o Non-commencement of 11kV link lines and stringing work of 33kV lines as of June 2018. • **Shantinagar station:** o Joint inspection was carried out on 22.8.2017 after lapse of 13 months from the date of handing over of the site. o The agency erected I-beam poles without concurrence from NHAI and without intimating GESCOM. Because of
	Lot-2: Establishing 2 Nos. of 33/11kV GIS substations at i. KCT Gate, ii. Govt.General hospital	1.3.2016/ 11.4.2016	31.12.2016 Revised to 9.5.2018/ 21.9.2019	**Agency**: M/s Sharavathy Conductors Pvt Ltd, Bangalore **Penalty refunded:** ₹ 0.84 crore (including ₹ 0.63 crore relating to supply portion).		

Appendix – 34 contd.

Sl. No.	Name of the work	Date of LoI/ DWA	Stipulated date/actual date of completion	Name of the agency/ Penalty refunded (₹ in crore)	Justification for refund as recorded in the proceedings of CPC	Audit Remarks
						unplanned execution of work, NHAI instructed to release the poles and get approval from NHAI. The agency failed to furnish performance bank guarantee against improper restoration of works as sought by NHAI. This was complied with only on 13.11.2018. The delay could have been avoided, if the agency had submitted relevant documents to NHAI. ○ The agency has not carried out the 11kV UG cable works for which approval was accorded by CMC, even after lapse of one year 3 months from the date of supply. The agency delayed procuring sand and tiles required for laying of cable. • **Station at GGH & KCT Gate**: ○ Non-erection of GI modules for the MUSS since June 2017 ○ Non-commencement of 11kV link lines **Other lapses as reported by the Executive Engineer**: ○ Among 3 substations (Service Station-44, KHB complex and Shantinagar), only Shantinagar substation required NHAI approval for 2.2 kms out 3.3 kms, and in the remaining 1.1 kms, the agency erected 28 poles (8-10 poles pending) and stringing work was not commenced. ○ The agency took 204 days for submission of drawings and other documents to NHAI. ○ The agency delayed 105 days in making payments for road cutting permission. ○ Submission of false compliance report on attending observations made by GESCOM Only 27 poles have been erected between 1.5.2018 and 19.7.2018 for KHB complex and 5 poles for Service Station 44 since 2 months and no progress of line work in any of other substations ○ Agency failed to make payment for statutory approvals. This delay (February 2018 to September 2018) was avoidable. Road cutting permission for Service Station-44, KHB complex and Shantinagar was given on 9.4.2018, 16.10.2018 and 16.10.2018 respectively for the said three substations. The progress of UG cable works as of 10.1.2019 at Service Station-44, KHB complex and Shantinagar was only 1.1 kms of 5 kms, 0.6 kms of 6.2 kms and nil out of 4.8 kms respectively.

Appendix – 35
(Referred to in Paragraph 6.11)
Avoidable expenditure due to non-reduction of contract demand

(Amount in ₹)

Sl. No	Billing Period	Bill Date	Current bill Amount	85 *per cent* of Contract Demand (in KVA)	Demand charges per KVA	Demand Charges billed at 85 *per cent* of contracted Demand	85 *per cent* of contract demand of 11000 KVA	Demand Charges billed at 85 *per cent* of Contract Demand of 11000 KVA	Recorded demand (KVA)	Avoidable Expenditure
1	28.12.2018 to 01.02.2019	01.02.2019	55,42,664	17,000	230	39,10,000	9,350	21,50,500	880	17,59,500
2	01.02.2019 to 01.03.2019	01.03.2019	1,25,25,830	17,000	230	39,10,000	9,350	21,50,500	800	17,59,500
3	01.03.2019 to 01.04.2019	01.04.2019	2,02,05,486	17,000	230	39,10,000	9,350	21,50,500	1,120	17,59,500
4	01.04.2019 to 01.05.2019	01.05.2019	2,84,29,013	17,000	230	39,10,000	9,350	21,50,500	880	17,59,500
5	01.05.2019 to 01.06.2019	01.06.2019	3.54.80,209	17,000	240	40,80,000	9,350	22,44,000	720	18,36,000
6	01.06.2019 to 01.07.2019	01.07.2019	4,32,36,511	17,000	240	40,80,000	9,350	22,44,000	720	18,36,000
7	01.07.2019 to 01.08.2019	01.08.2019	5,03,55,282	17,000	240	40,80,000	9,350	22,44,000	720	18,36,000
8	01.08.2019 to 01.09.2019	01.09.2019	5,85,66,992	17,000	240	40,80,000	9,350	22,44,000	**720**	18,36,000
9	01.09.2019 to 01.10.2019	01.10.2019	6,72,94,796	17,000	240	40,80,000	9,350	22,44,000	800	18,36,000
10	01.10.2019 to 01.11.2019	01.11.2019	7,59,63,624	17,000	240	40,80,000	9,350	22,44,000	800	18,36,000
11	01.11.2019 to 01.12.2019	01.12.2019	81,06,440.00	17,000	240	40,80,000	9,350	22,44,000	800	18,36,000
12	01.12.2019 to 01.01.2020	01.01.2020	98,31,130.16	17,000	240	40,80,000	9,350	22,44,000	1600	18,36,000
13	01.01.2020 to 01.02.2020	01.02.2020	78,91,878.61	17,000	240	40,80,000	9,350	22,44,000	7200	18,36,000
14	01.02.2020 to 01.03.2020	01.03.2020	75,36,862.05	17,000	240	40,80,000	9,350	22,44,000	880	18,36,000
15	01.03.2020 to 01.04.2020	01.04.2020	62,30,338.30	17,000	240	40,80,000	9,350	2244,000	640	18,36,000
16	01.04.2020 to 01.05.2020	01.05.2020	41,11,967.23	17,000	240	40,80,000	9,350	22,44,000	0	18,36,000
17	01.05.2020 to 01.06.2020	01.06.2020	54,26,643.88	17,000	240	40,80,000	9,350	22,44,000	8,00	18,36,000
18	01.06.2020 to 01.07.2020	01.07.2020	61,00,479.89	17,000	240	40,80,000	9,350	22,44,000	1,600	18,36,000
19	01.07.2020 to 01.08.2020	01.08.2020	67,25,076.21	17,000	240	40,80,000	9,350	22,44,000	1,600	18,36,000
20	01.08.2020 to 01.09.2020	01.09.2020	76,58,297.57	17,000	240	40,80,000	9,350	22,44,000	2,720	18,36,000
21	01.09.2020 to 01.10.2020	01.10.2020	1,13,66,673.89	17,000	240	40,80,000	9,350	22,44,000	7,040	18,36,000
22	01.10.2020 to 01.11.2020	01.11.2020	73,68,887.95	17,000	240	40,80,000	9,350	22,44,000	**8,880**	18,36,000
23	01.11.2020 to 01.12.2020	01.12.2020	73,24,537.86	17,000	250	42,50,000	9,350	23,37,500	1,360	19,12,500
24	01.12.2020 to 01.01.2021	01.01.2021	83,83,792.99	17,000	250	42,50,000	9,350	23,37,500	1,600	19,12,500

Appendix – 35 contd.

Sl. No	Billing Period	Bill Date	Current bill Amount	85 per cent of Contract Demand (in KVA)	Demand charges per KVA	Demand Charges billed at 85 per cent of contracted Demand	85 per cent of contract demand of 11000 KVA	Demand Charges billed at 85 per cent of Contract Demand of 11000 KVA	Recorded demand (KVA)	Avoidable Expenditure
25	01.01.2021 to 01.02.2021	01.02.2021	83,52,335.11	17,000	250	42,50,000	9,350	23,37,500	2,240	19,12,500
26	01.02.2021 to 01.03.2021	01.03.2021	82,58,948.08	17,000	250	42,50,000	9,350	23,37,500	1,440	19,12,500
27	01.03.2021 to 01.04.2021	01.04.2021	74,32,202.27	17,000	250	42,50,000	9,350	23,37,500	1,360	19,12,500
28	01.04.2021 to 01.05.2021	01.05.2021	81,41,034.19	17,000	250	42,50,000	9,350	23,37,500	2,080	19,12,500
29	01.05.2021 to 01.06.2021	01.06.2021	92,60,378.71	17,000	250	42,50,000	9,350	23,37,500	2,240	19,12,500
30	01.06.2021 to 01.07.2021	01.07.2021	93,72,215.24	17,000	270	45,90,000	9,350	25,24,500	2,000	20,65,500
31	01.07.2021 to 01.08.2021	01.08.2021	95,61,655.27	17,000	270	45,90,000	9,350	25,24,500	1,840	20,65,500
32	01.08.2021 to 01.09.2021	01.09.2021	98,05,887.95	17,000	270	45,90,000	9,350	25,24,500	1,920	20,65,500
33	01.09.2021 to 01.10.202	01.10.2021	96,99,967.46	17,000	270	45,90,000	9,350	25,24,500	3,200	20,65,500
34	01.10.2021 to 01.11.2021	01.11.2021	98,10,580.00	17,000	270	45,90,000	9,350	25,24,500	2,800	20,65,500
35	01.11.2021 to 01.12.2021	01.12.2021	96,58,929.42	17,000	270	45,90,000	9,350	25,24,500	8,000	20,65,500
36	01.12.2021 to 01.01.2022	01.01.2022	1,07,11,097.33	17,000	270	45,90,000	9,350	25,24,500	8,000	20,65,500
37	01.01.2022 to 01.02.2022	01.02.2022	96,65,028.06	17,000	270	45,90,000	9,350	25,24,500	3,200	20,65,500
38	01.02.2022 to 01.03.2022	01.03.2022	83,80,803.64	17,000	270	45,90,000	9,350	25,24,500	2,400	20,65,500
39	01.03.2022 to 01.04.2022	01.04.2022	94,45,915.98	17,000	270	45,90,000	9,350	25,24,500	2,400	20,65,500
40	01.04.2022 to 01.05.2022	01.05.2022	10676216.12	17,000	300	51,00,000	9,350	28,05,000	2,400	22,95,000
41	01.05.2022 to 01.06.2022	01.06.2022	11907934.36	17,000	300	51,00,000	9,350	28,05,000	3,200	22,95,000
42	01.06.2022 to 01.07.2022	01.07.2022	12229462.95	17,000	300	51,00,000	9,350	28,05,000	3,200	22,95,000
43	01.07.2022 to 01.08.2022	01.08.2022	16004440.00	17,000	300	51,00,000	9,350	28,05,000	3,200	22,95,000
44	01.08.2022 to 01.09.2022	01.09.2022	9479948.34	17,000	300	51,00,000	9,350	28,05,000	2,400	22,95,000
45	01.09.2022 to 01.10.2022	01.10.2022	9734765.23	17,000	300	51,00,000	9,350	28,05,000	2,400	22,95,000
46	01.10.2022 to 01.11.2022	01.11.2022	9734765	17,000	300	51,00,000	9,350	28,05,000	2,240	22,95,000
47	01.11.2022 to 01.12.2022	01.12.2022	8797771.8	17,000	300	51,00,000	9,350	28,05,000	1,600	22,95,000
48	01.12.2022 to 01.01.2023	01.01.2023	9400747.48	17,000	300	51,00,000	9,350	28,05,000	3,200	22,95,000
49	01.01.2023 to 01.02.2023	01.02.2023	9873015.92	17,000	300	51,00,000	9,350	28,05,000	2,400	22,95,000
50	01.02.2023 to 01.03.2023	01.03.2023	10016677.34	17,000	300	51,00,000	9,350	28,05,000	2,400	22,95,000
51	01.03.2023 to 01.04.2023	01.04.2023	8911302.97	17,000	300	51,00,000	9,350	28,05,000	3,200	22,95,000
			36,83,87,032.81			**22,59,30,000**		**12,42,61,500**		**10,16,68,500**

Appendix – 36

(Referred to in Paragraph 6.12)

Statement showing the mismatch in transaction details of tax invoices submitted by the Contractor with GSTR -1 data of the Supplier and vehicular data from concerned RTO authorities

Transaction details of 69 invoices submitted by M/s OCIL for HDPE pipes in support of purchase							**Corresponding Details as per GSTR-I of the Supplier**					**Vechicular data from the Concerned RTO**
Sl. No.	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Gross Value of transaction (₹)**	**Vehicle Number recorded on invoice as mode of transportation**	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Invoice Gross Value (₹)**	**Vehicle type for the number recorded in tax invoices submitted by the Contractor**
1	1008	Ocean Construction India Pvt. Ltd (29AABCO0864E1ZJ)	Kisan Sales Corporation (29AAQFK5896G1ZG)	12-07-2018	28,88,950	GJ 11 AA 3254	1008	OM TRADING COMPANY (29CJTPK7837D1ZK)	29AAQFK5896G1ZG (Kisan Sales Corporation)	12-07-2018	4131.32	M-Cycle/Scooter
2	1022			12-07-2018	28,88,950	GJ 11 AA 4589	1022	M/s KANDULA GINNING AND PRESSING MILLS LTD (29AAACK6694F1Z6)		13-07-2018	9110.09	M-Cycle/Scooter
3	1023			12-07-2018	28,88,950	GJ 11 AB 1254	1023	AMRUT AGENCY (29AJIPT5399L1Z2)		13-07-2018	199461.75	Motor Car
4	1024			12-07-2018	26,79,949	GJ 12 AA 1254	1024	M P PUMPS & ELECTRICALS (29ACYPN1897N1Z8)		13-07-2018	7626	M-Cycle/Scooter
5	1025			12-07-2018	28,18,624	GJ 11 BC 5487	1025	AMRUT AGENCY (29AJIPT5399L1Z2)		13-07-2018	3358.05	M-Cycle/Scooter
6	1026			12-07-2018	27,32,140	GJ 15 AA 9865	1026	OM TRADING COMPANY (29CJTPK7837D1ZK)		13-07-2018	3305.06	M-Cycle/Scooter
7	1027			12-07-2018	30,31,058	GJ 11 B 2587	1027	V2MARKETING (29AGZPJ3731G1ZX)		14-07-2018	20544.35	Details awaited from RTO
8	1028			12-07-2018	30,31,058	GJ 11 AA 2547	1028	BHAVANI ELECTRICALS (29BFFPB3530P1ZA)		14-07-2018	11504.99	M-Cycle/Scooter

Appendix – 36 contd.

Transaction details of 69 invoices submitted by M/s OCIL for HDPE pipes in support of purchase							Corresponding Details as per GSTR-I of the Supplier					Vechicular data from the Concerned RTO
Sl. No.	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Gross Value of transaction (₹)**	**Vehicle Number recorded on invoice as mode of transportation**	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Invoice Gross Value (₹)**	**Vehicle type for the number recorded in tax invoices submitted by the Contractor**
9	1029			12-07-2018	30,31,058	MH 01 AA 6589	1029	SHIVA PIPES AND FITTINGS (29BTKPM2617K1Z9)		14-07-2018	6610.11	Motor Cycle
10	1032			12-07-2018	32,14,087	GJ 11 B 2547	1032	SWASTIK HARDWARES (29ADJFS5819D1ZS)		14-07-2018	3749.97	M-Cycle/Scooter
11	1039			13-07-2018	29,12,972	GJ 11 C 1254	1039	KARNATAKA PIPE CENTRE (29AAKFK8612N1ZN)		14-07-2018	9347.52	M-Cycle/Scooter
12	1040			13-07-2018	29,12,972	MH 01 CC 2547	1040	OM TRADING COMPANY (29CJTPK7837D1ZK)		16-07-2018	4957.59	Motor Cycle
13	1050			13-07-2018	27,78,082	GJ 01 S 1254	1050	VASAVI AGENCIES (29AAFFV6352B1Z5)		17-07-2018	18502.4	Details awaited from RTO
14	1051			13-07-2018	27,78,082	GJ 11 B 1789	1051	PRAJWAL CONSTRUCTIONS (29AAWPH9890D1ZW)		17-07-2018	11186.34	M-Cycle/Scooter
15	1042			13-07-2018	27,78,082	GJ 01 VV 2548	1042	AMS SALES CORPORATION (29HGDPS9448J1ZE)		16-07-2018	3895.33	Three Wheeler (Passenger)
16	1043			13-07-2018	27,78,082	GJ 25 B 2569	1043	PRABHU ENTERPRISES (29DICPK9597P1Z0)		16-07-2018	6066.38	Details awaited from RTO

Appendix – 36 contd.

Transaction details of 69 invoices submitted by M/s OCIL for HDPE pipes in support of purchase							Corresponding Details as per GSTR-I of the Supplier					Vehicular data from the Concerned RTO
Sl. No.	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Gross Value of transaction (₹)**	**Vehicle Number recorded on invoice as mode of transportation**	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Invoice Gross Value (₹)**	**Vehicle type for the number recorded in tax invoices submitted by the Contractor**
17	1044			13-07-2018	27,78,082	GJ 15 A 2547	1044	STAR ELECTRICALS (29CGEPS5289K1ZH)		16-07-2018	13409.11	M-Cycle/Scooter
18	1045			13-07-2018	27,78,082	GJ 10 X 2547	1045	KAZI TRADERS (29CAGPK8660L1Z0)		16-07-2018	16336.3	Trailer
19	1046			13-07-2018	25,46,575	MH 01 AA 1254	1046	SHRI BALAJI PIPES AND FITTINGS (29CIAPP0445G1ZC)		16-07-2018	3305.06	M-Cycle/Scooter
20	1047			13-07-2018	30,65,269	MH 01 B 1269	1047	SHREE VITTHAL AGENCIES (29BVVPB4404N1Z2)		17-07-2018	4957.59	Details awaited from RTO
21	1048			13-07-2018	30,65,269	MH 01 M 9845	1048	BHAVANI ELECTRICALS (29BFFPB3530P1ZA)		17-07-2018	17189.73	Maruti 800
22	1066			14-07-2018	30,65,269	GJ 11 A 2547	1066	AETRIO (29ABJFA1970B1ZM)		20-07-2018	762.75	M-Cycle/Scooter
23	1070			14-07-2018	29,64,093	GJ 11 M 7854	1070	AMS SALES CORPORATION (29HGDPS9448J1ZE)		20-07-2018	66524.83	Tractor (Agricultural)
24	1074			14-07-2018	25,22,525	MH 01 A 5478	1074	M/S OM SANITARY AND WATER FITTINGS (29AADFO3670K1ZW)		21-07-2018	24152.33	Premier Padmini Car

Appendix – 36 contd.

Transaction details of 69 invoices submitted by M/s OCIL for HDPE pipes in support of purchase							Corresponding Details as per GSTR-I of the Supplier					Vehicular data from the Concerned RTO
Sl. No.	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Gross Value of transaction (₹)**	**Vehicle Number recorded on invoice as mode of transportation**	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Invoice Gross Value (₹)**	**Vehicle type for the number recorded in tax invoices submitted by the Contractor**
25	1071			14-07-2018	26,05,905	GJ 11 A 2547	1071	SHILPA SALES CORPORATION (29AEXPM5636F1ZU)		20-07-2018	72626.34	M-Cycle/Scooter
26	1068			14-07-2018	26,05,905	GJ 11 B 2547	1068	LABH SALES CORPORATION (29AAAFI5723J1Z9)		20-07-2018	4168.5	M-Cycle/Scooter
27	1067			14-07-2018	26,05,905	MH 02 G 2547	1067	YASH TRADERS (29AYAPB4649N1Z3)		20-07-2018	19432.33	M-Cycle/Scooter
28	1087			15-07-2018	26,05,905	MH 01 A 9874	1087	OM TRADING COMPANY (29CJTPK7837D1ZK)		23-07-2018	6610.11	Details awaited from RTO
29	1065			14-07-2018	26,05,905	MH 01 8547	1065	SHRI RENUKA TRADERS (29AOJPM1529F1ZV)		20-07-2018	8542.3	Details awaited from RTO
30	1086			15-07-2018	26,05,905	GJ 11 V 7854	1086	S.K.TRADERS (29BLNPK9644R1ZT)		23-07-2018	32917.5	Trailer (Comml)
31	1083			15-07-2018	26,05,905	MH 10 H 5479	1083	SHREE VITTHAL AGENCIES (29BVVPB4404N1Z2)		23-07-2018	5783.85	LMV
32	1075			15-07-2018	26,05,905	MH 10 F 1478	1075	HINDUSTAN AGENCIES (29ANTPA9502F1ZU)		21-07-2018	33976.71	Luna Super
33	1076			15-07-2018	26,05,905	Not available	1076	M/S NEW HOME BUILDERS (29AANFN0250A1ZM)		21-07-2018	141845.84	NA

Appendix – 36 contd.

Transaction details of 69 invoices submitted by M/s OCIL for HDPE pipes in support of purchase							Corresponding Details as per GSTR-I of the Supplier					Vehicular data from the Concerned RTO
Sl. No.	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Gross Value of transaction (₹)**	**Vehicle Number recorded on invoice as mode of transportation**	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Invoice Gross Value (₹)**	**Vehicle type for the number recorded in tax invoices submitted by the Contractor**
34	1077			15-07-2018	26,05,905	GJ A 6589	1077	SHREE VITTHAL AGENCIES (29BVVPB4404N1Z2)		21-07-2018	5783.85	Details awaited from RTO
35	1078			15-07-2018	27,34,836	GJ 11 A 3278	1078	SHIVA PIPES AND FITTINGS (29BTKPM2617K1Z9)		21-07-2018	12513.84	M-Cycle/Scooter
36	1079			15-07-2018	27,34,836	GJ 11 V 5874	1079	SHIVA PIPES AND FITTINGS (29BTKPM2617K1Z9)		21-07-2018	9791.65	Trailer (Agricultural)
37	1080			15-07-2018	27,34,836	MH 01 S 1298	1080	VISHAL SANITARY WARES (29CQKPD6359P1ZY)		21-07-2018	3305.06	Details awaited from RTO
38	1081			15-07-2018	27,34,836	GJ 11 B 5471	1081	OM TRADING COMPANY (29CJTPK7837D1ZK)		23-07-2018	4957.59	M-Cycle/Scooter
39	1082			15-07-2018	23,19,469	MH 01 A 8547	1082	OM TRADING COMPANY (29CJTPK7837D1ZK)		23-07-2018	16525.28	Details awaited from RTO
40	1096			16-07-2018	23,19,469	GJ 14 X 5412	1096	HITECH PIPES (29AAJFH0711N1Z7)		24-07-2018	13559.2	Goods Carrier
41	1097			16-07-2018	23,19,469	MH 05 F 547	1097	ASHU NADAF (29AISPA6575C1Z0)		24-07-2018	299074.28	Tempo
42	1099			16-07-2018	23,19,469	MH 11 V 2547	1099	HIMALAYA AGENCIES (29AAUPQ3699M1ZB)		24-07-2018	20381.98	Auto

Appendix – 36 contd.

Transaction details of 69 invoices submitted by M/s OCIL for HDPE pipes in support of purchase							Corresponding Details as per GSTR-I of the Supplier					Vehicular data from the Concerned RTO
Sl. No.	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Gross Value of transaction (₹)**	**Vehicle Number recorded on invoice as mode of transportation**	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Invoice Gross Value (₹)**	**Vehicle type for the number recorded in tax invoices submitted by the Contractor**
43	1101			16-07-2018	23,19,469	MH 01 V 2547	1101	AETRIO (29ABJFA1970B1ZM)		24-07-2018	16493.98	Maruti Car
44	1103			16-07-2018	23,19,469	GJ 11 D 2547	1103	RAJENDRA ENTERPRISES (29ANKPH9418C1ZV)		25-07-2018	26440.45	M-Cycle/Scooter
45	1104			16-07-2018	22,89,732	GJ 11 B 1234	1104	S.K.TRADERS (29BLNPK9644R1ZT)		25-07-2018	10507.5	M-Cycle/Scooter
46	1102			16-07-2018	28,73,687	MH 01 B 5478	1102	M/S NIKHIL DEVELOPERS (29AAMFN5991M1Z8)		25-07-2018	285	Details awaited from RTO
47	1108			16-07-2018	15,04,695	MH 01 V 5498	1108	L K ENTERPRISES (29EFCPS0702A1ZW)		25-07-2018	5084.7	Ind Auto
48	1111			16-07-2018	15,04,695	MH 01 V 5210	1111	STEEL CORPORATION (29ABQPD4927L1Z3)		25-07-2018	42139.9	Ind Auto
49	1112			16-07-2018	15,04,695	GJ 11 V 2547	1112	AYAN ELECTRICAL & HARDWARE (29AGFPH1358F1ZI)		26-07-2018	7788.55	Three Wheeler (Goods)
50	1113			16-07-2018	15,04,695	GJ 12 S 5401	1113	SRINIVAS SANITORY (29AEWPL1038F1Z8)		26-07-2018	123176	Moped
51	1114			16-07-2018	7,11,279	GJ 11 9025	1114	PRAJWAL CONSTRUCTIONS (29AAWPH9890D1ZW)		26-07-2018	18606.78	M-Cycle/Scooter

Appendix – 36 contd.

Transaction details of 69 invoices submitted by M/s OCIL for HDPE pipes in support of purchase							Corresponding Details as per GSTR-I of the Supplier					Vehicular data from the Concerned RTO
Sl. No.	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Gross Value of transaction (₹)**	**Vehicle Number recorded on invoice as mode of transportation**	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Invoice Gross Value (₹)**	**Vehicle type for the number recorded in tax invoices submitted by the Contractor**
52	1115			16-07-2018	16,65,246	GJ 11 B 3050	1115	SAI RAM ASSOCIATES (29AYAPK0382P1Z0)		26-07-2018	6440.62	M-Cycle/Scooter
53	1030			12-07-2018	30,31,058	GJ 11 M 2548	1030	Not found in the GSTR-I of the Supplier		Not found in the GSTR-I of the Supplier	Not found in the GSTR-I of the Supplier	Tractor
54	1031			12-07-2018	30,31,058	MH 01 AA 1235	1031					Motor Cycle
55	1041			13-07-2018	21,82,340	MH 02 WQ 5487	1041					Details awaited from RTO
56	1049			13-07-2018	27,78,082	MH 01 F 1254	1049					Details awaited from RTO
57	1072			14-07-2018	29,64,093	GJ 11 B 2547	1072					M-Cycle/Scooter
58	1073			14-07-2018	29,64,093	GJ 24 V 8742	1073					Trailer (Agricultural)
59	1069			14-07-2018	26,05,905	GJ 11 A 5478	1069					M-Cycle/Scooter
60	1085			15-07-2018	26,05,905	GJ 12 B 5874	1085					M-Cycle/Scooter
61	1084			15-07-2018	26,05,905	GJ 14 M 2548	1084					Details awaited from RTO
62	1098			16-07-2018	23,19,469	MH 01 1783	1098					Details awaited from RTO
63	1100			16-07-2018	23,19,469	MH 01 A 5421	1100					Details awaited from RTO
64	1109			16-07-2018	15,04,695	MH 01 S 1209	1109					Details awaited from RTO
65	1110			16-07-2018	15,04,695	GJ 11 S 5420	1110					Motor Car

Appendix – 36 contd.

Transaction details of 69 invoices submitted by M/s OCIL for HDPE pipes in support of purchase							Corresponding Details as per GSTR-I of the Supplier					Vehicular data from the Concerned RTO
Sl. No.	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Gross Value of transaction (₹)**	**Vehicle Number recorded on invoice as mode of transportation**	**Invoice No.**	**Receiver of the Goods**	**Supplier of the Goods**	**Invoice Date**	**Invoice Gross Value (₹)**	**Vehicle type for the number recorded in tax invoices submitted by the Contractor**
66	1088			15-07-2018	26,05,905	MH 10 V 2596	1088	OCEAN CONSTRUCTIONS INDIA PRIVATE LIMITED (29AABCO0864E1ZJ)		24-07-2018	2448262.8	Moped
67	1105			16-07-2018	19,18,739	GJ 11 B 6527	1105	OCEAN CONSTRUCTIONS INDIA PRIVATE LIMITED (29AABCO0864E1ZJ)		25-07-2018	2658514.32	M-Cycle/Scooter
68	1106			16-07-2018	11,72,879	GJ 11 V 2547	1106	OCEAN CONSTRUCTIONS INDIA PRIVATE LIMITED (29AABCO0864E1ZJ)		25-07-2018	2658514.32	Three Wheeler (Goods)
69	1107			16-07-2018	16,05,527	GJ 11 B 7854	1107	OCEAN CONSTRUCTIONS INDIA PRIVATE LIMITED (29AABCO0864E1ZJ)		25-07-2018	2658514.32	M-Cycle/Scooter

Appendix – 37
(Referred to in Paragraph 6.12)

Details showing the mismatch between descriptions of the pipeline (diameter, working pressure, length) that was recoded in measurement book as brought to site and what was executed.

Sl. No.	Description of the pipeline		Length of pipeline brought to site as per MB attached to RA Bill 1 (meters)	Length of pipeline actually executed as per MB attached to RA Bill 2 to 9 (meters)
	Diameter of the pipeline in millimetre	Working Pressure		
1	125	6kg	15010	23815
2	125	10kg	24530	21215
3	140	6kg	1855	3900
4	160	6kg	2835	0
5	180	6kg	4020	5800
6	200	6kg	22285	16515
7	200	8kg	3695	0
8	225	6kg	5805	3800
9	250	6kg	6515	6740
10	250	8kg	1440	1000
11	355	6kg	8155	17610
12	355	8kg	15825	1200
13	400	6kg	1025	0
14	450	8kg	1040	0
Total			**114035**	**101595**

Appendix – 38

(Referred to in Paragraph 6.12)

Statement showing calculation of interest loss due to payment of ₹ 40.16 crore in advance.

Sl. No.	RA bill No.	Actual date of laying the pipe as per MB	Length of pipe laid as per MB (in Km)	Value of pipe laid (70 *per cent* of approved price breakup of pipeline laid) (in ₹)	Date of actual payment by the Division for the procurement of pipes (vide RA Bill 1)	Number of days paid in advance	Interest loss at the rate of 13.5 *per cent** (in ₹)
1	RA bill 2	14-Sep-18	18.720	74006834	7 August 2018	38	1040151
2	RA bill 3	10-Dec-18	45.860	181300929		119	7979724
3	RA bill 4	24-Apr-19	7.900	31231516		260	3003360
4	RA bill 5	18-Dec-19	13.410	53014511		511	10019743
5	RA bill 6	20-Dec-20	4.700	18580776		866	5951448
6	RA bill 8	12-Jul-21	8.350	33010527		1070	13064029
7	RA bill 9	06-Aug-21	2.655	10496161		1095	4250945
Total			**101.595**	**401641254**			**45309400**

***As per clause 42.1 of the Section 3 (Conditions of the Contract) of the tender document the Division is charging interest at the rate of 13.50 *per cent* for advance payment.**

Appendix – 39

(Referred to in Paragraph 6.15)

Avoidable payment of rent for godown & office in Kalaburgi

Sl. No.	Year	No. of months	Monthly rent (In ₹)	Total rent paid (In ₹)
Avoidable payment of Rent for Godown in Kalaburgi				
1	April 2016 to March 2017	12	28812	3,45,744
2	April 2017 to March 2018	12	28812	3,45,744
3	April 2018 to March 2019	12	48020	5,76,240
4	April 2019 to March 2020	12	48020	5,76,240
5	April 2020 to March 2021	12	48020	5,76,240
6	April 2021 to March 2022	12	48020	5,76,240
7	April 2022 to March 2023	12	48020	5,76,240
8	April 2022 to September 2023	6	48020	2,88,120
	Total			**35,72,688**
Avoidable payment of Rent for Office in Kalaburgi				
9	April 2016 to March 2017	12	30418	3,65,016
10	April 2017 to March 2018	12		5,32,947
11	June 2018 to March 2019	12	39280	4,71,360
12	April 2019 to March 2020	12		4,98,465
13	April 2020 to March 2021	12	44527	5,34,324
14	April 2021 to March 2022	12	44527	5,34,324
15	April 2022 to March 2023	12	44527	5,34,324
16	April 2023 to September 2023	6	44527	2,67,167
	Total			**34,70,760**
Total rent paid towards Godown and Office				**75,98,730**